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SOCIAL INSURANCE
A PROGRAM OF SOCIAL REFORM

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EDITED BY

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AMERICAN SOCIAL PROGRESS SERIES

SOCIAL INSURANCE

A PROGRAM OF SOCIAL REFORM

BY

HENRY ROGERS SEAGER

PROFESSOR OF POLITICAL ECONOMY
IN COLUMBIA UNIVERSITY

THE KENNEDY LECTURES FOR 1910, IN THE SCHOOL
OF PHILANTHROPY, CONDUCTED BY THE CHARITY
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CHAPTER I

THE COMMON WELFARE

AMONG the many characteristics which foreign observers have ascribed to Americans are two about which there has been little difference of opinion. We are good-natured, and we are individualists. Sermons have been preached against our good nature, so I need not dwell upon it. Much more important is our individualism, — our absorption in individual interests and our reluctance to undertake things in combination with our neighbors or through the government. That individualism *is* an American characteristic is proved by a number of familiar facts. Thus, the phrase, “social reform,” which, in other countries, suggests comprehensive plans of state action, is still usually associated in the United States with the welfare departments of private corporations, privately endowed schools of philanthropy, or such splendid examples of private beneficence as the Russell Sage

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Foundation. Again, the coöperative movement, which has made such signal progress in Europe, is in its infancy here. Finally, socialism, the extreme antithesis of individualism, numbers fewer converts relatively to the population in the United States than in any other country of the Western World.

Like every other national trait, this characteristic may be traced to definite causes in our history. If individualism is not the normal attribute of a new country,¹ it is at least a natural consequence of the process by which this particular new country has grown up. The population of the United States is practically all of foreign origin. Generally speaking, only self-centered and self-reliant characters break the social bonds that hold them at home, leave neighbors and friends, and stake everything on the doubtful venture of emigrating to a new land. The twenty-seven odd million immigrants who have come to this country since it was discovered by Europeans have thus left a strong individualistic impress on their descendants. Related to this has been the diversity of our population elements. As sociologists express it, the "con-

¹ That individualism is not characteristic of all new countries is clearly proved by the history of Australia and New Zealand.

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sciousness of kind" has been slow to develop in our heterogeneous population. This has fostered individualism and stood in the way of combined action. Thus our heredity gives us a strong individualistic bias. Far from opposing this bias, the natural conditions which distinguish this country have tended further to emphasize it. The variety and abundance of our resources have offered unrivaled opportunities for individual achievement. Dazzled by these, we have been absorbed in a mad struggle for individual success and blinded to our common interests. Nor is this all.

As though it were not enough that heredity and environment combined to make us individualists, our forefathers wrote their individualistic creed into our federal and state constitutions. All these instruments give special sanctity to the rights to liberty and property. As interpreted by the courts, a significance has been given to these constitutional rights that has seemed at times to make a fetish of the merely formal freedom of the individual. Thus it is not too much to say that Americans are born individualists in a country peculiarly favorable to the realization of individual ambitions and under a legal system which discourages and opposes resort to any but individualistic remedies for social evils.

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So long as this was a new country, with abundance of free land to attract and reward the adventurous pioneer, little fault was to be found with this national trait. To be self-centered and self-reliant, to believe that "that government is best which attempts least," to identify freedom with immunity from state interference, was safe and wholesome for a nation of farmers. It fostered ambition, enterprise, and courage, and these were desirable qualities. To them and to our wealth of natural resources we have owed our greatness as a people. To some extent we are still a nation of farmers. For great sections of the country the simple formulæ of individualism, qualified by a more aggressive conservation of natural resources and governmental regulation of railroads and trusts, are still true and wise. But every year these sections are growing less important, and the qualifications on the program of individualism that must be made to adapt it even to their needs, more numerous.

It is the purpose of these lectures to insist that for other great sections of the country—the sections in which manufacturing and trade have become the dominant interests of the people, in which towns and cities have grown up, and in which the

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wage earner is the typical American citizen—the simple creed of individualism is no longer adequate. For these sections we need not freedom from governmental interference, but clear appreciation of the conditions that make for the common welfare, as contrasted with individual success, and an aggressive program of governmental control and regulation to maintain these conditions.

This view might be defended in general terms. I might trace the course of the industrial revolution and show how, with the introduction and spread of capitalistic methods of production, the individual wage earner has become more and more helpless in his efforts to control the conditions of his employment. I might sketch the growth of cities, and point out how the welfare of city dwellers, their housing accommodations, the water and milk they drink, and the food they eat, are determined for them rather than by them, and unless regulated by the common government will not be adequately regulated at all. But arguments in general terms are seldom convincing. What I intend to do rather is to indicate certain points at which the program of individualism seems to me conspicuously inadequate and to outline a program of social reform by which its deficiencies may be corrected.

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To bring out some of the contrasts that I have in mind, let me state as fairly as I may what the program of individualism intends for the wage earner. It looks upon our complex modern method of production for sale in the general market as a great system of coöperation. Employer, capitalist, and wage earner coöperate in preparing goods for sale. Buyers, who are other employers, capitalists, and wage earners, coöperate by taking goods at the prices demanded and at the same time offering their goods for exchange in the common market. Competition, if free and unhampered, tends to adjust the terms on which workmen are hired, capital is borrowed, and goods are sold, so that each is rated at the figure to which it is competitively entitled. Under this arrangement, as individualists conceive of it, the employer needs the workman as much as the workman needs the employer. There is competitive bidding on both sides. In times of abounding prosperity like the present there are more jobs seeking men than men seeking jobs. Wages tend to rise. On the whole, abounding prosperity has been the rule in the United States. If wages have not risen as much as we could wish, it is because immigration and the native growth of population have re-

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sponded so fully to expanding industry. There is no inherent tendency in the competitive system to hold wage earners down, no "iron law of wages." Wages are determined by the relation between supply and demand. Expanding industry furnishes the demand. It rests with wage earners themselves to control the supply. Their well wishers do wrong to seek to interfere with the "natural laws of trade." Their efforts should be directed rather to inducing wage earners to greater prudence in their marriage relations and more forethought in providing by saving for their future needs. By means of postponed marriages and smaller families the supply of workers may be kept down so that wages will advance to ever higher levels. By means of saving, wage earners may make ever larger contributions to the capital of the community, which is one of the conditions creating the demand for labor.

It is along these lines that individualists would direct the car of progress. And they see no reason for assigning any limit to the resulting improvement in the condition of the world's workers. Wages may become higher and higher. Out of their larger earnings wage earners may save and contribute an ever larger proportion to the capital

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of the community. If the corporate form of industrial organization continues to grow at the expense of other forms, the time may come when the distinction between wage earners and capitalists will entirely disappear. All those engaged in gainful occupations may be employees of corporations. All may at the same time, either directly or through their savings funds, be stockholders in these same corporations. Something like this is the millennium to which individualists look forward.

As a picture of the future, this millennium compares favorably with other forecasts. The fault that I have to find with it is not that it presents an impossible ideal, but that it ignores certain tendencies which, unless corrected, render its realization impossible. The tendencies I refer to may be summed up in two statements. First, there is little or no evidence that wage earners are becoming more provident in their habits. Second, their failure to make provision for the future is a cause serving constantly to recruit the mass of unorganized, unskilled workers whose lack of standards and unregulated competition oppose the progress of wage earners all along the line.

Are the mass of wage earners becoming more provident and forethoughtful in their habits? My

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contention is that they are not, and that changing industrial conditions are making saving more difficult rather than easier. In the past it is clear that the principal motives to saving in the United States have been desire to own land, which has appealed to the agricultural population, and desire to own homes and the tools and implements of production, which has appealed to town dwellers. The desire to own land is still a strong incentive to saving in some sections of the country. Where land is abundant and cheap, the farm hand has constantly before his mind the possibility of becoming a farmer. To attain this he will make great sacrifices. Having acquired land, equally strong motives to further accumulation, to buy agricultural tools, stock, and ever more land, present themselves. Thus the wage earner is transformed into the capitalist. This process has been repeated over and over again in the United States, and we have our 5,000,000 or more independent farmers as a result. Unfortunately, the sections in which land is abundant and cheap are narrowing every year, and signs are not lacking that we are coming to have a permanent class of agricultural wage earners comparable at many points with the wage earners in cities.

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The change for the worse is even more conspicuous as regards city dwellers. However it may be in small manufacturing towns, it is clearly not possible nor desirable for the wage earners in large cities to own their dwellings. They have become tenants, and the strongest of all motives for saving has passed for all time out of their lives. The motive for saving, to acquire the tools and implements of production, is even more remote from the calculations of the present-day workman. The machines, factories, railroads, and steamships of modern industry are far too costly to be owned by the men who operate them. They of necessity are supplied by capitalist-employers who look to their employees only for the labor force necessary to make them efficient.

And the conditions of modern industry have failed to supply motives for saving sufficiently strong to take the place of these that are gone. It is true that saving is still necessary to provide for the rainy day, for loss of earning power due to illness or accident or old age, but against these needs is the insistent demand of the present for better food, for better living conditions, for educational opportunities for children. This demand is not fixed and stationary. It is always expand-

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ing. In my profession, it is a common pastime to attempt to compare the cost of living of the country college professor with that of his colleague in the city university. To speculate, for example, whether \$3000 a year at Amherst will go as far as \$5000 a year at Columbia. Such comparisons are quite idle. One consequence of our living together in cities and daily observing the habits of those better off than we are is that we are under constant pressure to advance our standards. This pressure affects the wage earner quite as much as it does the college professor. Both, when confronted with the problem of supporting a family in a modern city, find the cost of living, as Mark Twain has said, "a little more than you've got."

Against this tendency of current expenses to press against income, fear for the future is all too weak a check. The average individual is an optimist. He does not expect to be out of employment, to be ill, to be injured in his work, or even to grow too old to work. Desire to provide against these contingencies is feeble in comparison with the desire to live better in the present. That this is true is admitted by nearly every one who has attempted to make a study of the expenditures of wage earners at close range. Two such studies

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have recently been made in New York City, and both bear out my contention. The agencies that are most constantly resorted to by wage earners who save for future needs are industrial insurance companies and savings banks. Mrs. More, who collected evidence in regard to the budgets of 200 representative wage-earning families in New York, reports that 174 out of the 200 families, or 87 per cent, carried some insurance.¹ This is impressive, but she goes on to explain that: "The insurance money invariably goes to meet the expenses of the funeral or of the last illness. The larger the policy, the finer the funeral." That is, industrial insurance among the families she studied was, as a rule, merely another name for burial insurance. Dread of the pauper's grave is a motive strong enough to induce saving among nearly all wage earners, but insurance is rarely resorted to for any other purpose. Mr. Chapin, who studied the expenditures of 318 New York families, arrived at similar conclusions.² Only 18

¹ Wage Earners' Budgets: A Study of Standards and Cost of Living in New York City. By Louise Bolard More. Henry Holt and Company. New York, 1907. pp. 42-43.

² The Standard of Living Among Workingmen's Families in New York City. By Robert Coit Chapin, Ph.D. New York, Russell Sage Foundation Publication, 1909. pp. 191-197.

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per cent of his families carried policies as high as \$500.

It is less easy to determine the amounts saved by wage earners through the savings banks. Mrs. More reports that less than one fourth of her families saved anything, while more than one fourth fell behind. About one half were just able to make both ends meet. Mr. Chapin found that about one third of his families reported savings, but it is significant that such saving was twice as common among the Jewish and Italian families which he studied as among the more completely assimilated Teutonic and American families.

The impression conveyed by these special investigations, that is, that saving through the industrial insurance companies is chiefly for the purpose of meeting funeral expenses, and that saving through the savings banks is exceptional rather than the rule among American wage earners, is confirmed in a number of different ways. Settlement workers who are trying to inculcate habits of thrift by running branches of the Penny Provident Fund report that few depositors are educated to the point of starting savings-bank accounts. Administrators of charitable relief societies agree that wage-earning families whose savings are suffi-

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cient to tide them over prolonged periods of unemployment are quite exceptional. Finally, an observer of the habits and standards of wage earners with unequaled opportunities for forming an opinion, John Mitchell, affirms that "the average wage earner [of to-day] has made up his mind that he must always remain a wage earner."

Industrial insurance companies and savings banks are, of course, not the only agencies for caring for the savings of wage earners. Trade-union benefit funds, friendly and fraternal insurance societies, and benefit departments of corporations also draw together their accumulations. In the aggregate the savings made are large, but the fact remains that the wage earners who save are the exception rather than the rule. The great majority find their incomes all too small to meet their present needs and the needs of their families. The cost of living is a little more than they've got.

The consequence is that when really serious emergencies come, few wage earners' families are prepared to meet them. If this resulted merely in unhappiness and suffering for the families affected, we might content ourselves with present methods of trying to relieve distress as it arises. Industrial accidents, illness, premature death,

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unemployment, and old age, the most serious contingencies to which wage earners are exposed, would excite our pity but need not excite our alarm. But these evils do not confine themselves to the families who suffer directly from them. It is through them — and this is my second point — that the army of unskilled and unorganized casual labor is constantly recruited. How this comes about is only too familiar to workers among the poor. Consider first the consequences of fatal accidents. In the United States there are probably not less than 30,000 such accidents every year. Assuming that in one third of these cases either no family is left or adequate provision is made for the family, we have 20,000 families reduced to destitution by such accidents. This does not mean that that number of families are rendered dependent. Many of them, perhaps one half, face the situation bravely. But more than courage is needed to enable a widow left without resources to bring up her children as they would have been brought up had the father lived. To assume that one half of those who avoid dependency do so without falling into a lower class in the industrial scale than that to which they were born is to be highly optimistic. For the other half and for the

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families that become social dependents, the father's death is a calamity from which the family never entirely recovers. In consequence of these accidents some 15,000 widows and some 45,000 children are added every year to that group of unfortunates who are forced by necessity to accustom themselves to a hand-to-mouth existence. This means competition for work in employments where competition is keenest and wages are lowest. It means that the children grow up without any standard of living or training for earning a living.

If, instead of resulting fatally, the accident merely incapacitates the wage earner for continuing work in his trade, the consequences are almost as bad. In this event he, too, may be forced to seek work in those unskilled employments where earnings are lowest. Some wage earners meet this situation with no loss in independence and self-respect. Many more sink under their misfortunes and in time adopt the standards — or lack of standards — of the casual laborers with whom they have to compete. When we consider the large number of accidents that result in permanent disability, we must recognize that the annual quota that they contribute to the army of the standardless lowest class, is as large, if not larger, than the quota due to fatal

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accidents. In the aggregate, industrial accidents in the United States cause a lowering of standards of living for probably not less than 100,000 persons every year.

Much more serious than accidents in its effect on standards of living is illness. A careful estimate indicates that in the United States not less than 3,000,000 persons are seriously ill all the time. Of these 3,000,000 persons about 900,000 are males fifteen years of age and over. Making the moderate estimate that 500,000 of these are wage earners with families, we get some idea of the part that illness plays in recruiting the army of the disheartened and ineffective. If industrial accidents lower the standards of living of 100,000 persons in the United States every year, it is safe to say that illness depresses the lot of more than 200,000.

It would be impossible to estimate even roughly the number that owe their presence in the army of the standardless lowest class to unemployment and old age. That they run to the tens of thousands no one familiar with the facts will be apt to deny. In the aggregate, I have no doubt that in the United States every year fully 500,000 persons have their chance of living independent and self-respecting lives lessened by the five great misfor-

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tunes to which wage earners are exposed, — accidents, illness, premature death, unemployment, and old age.

These 500,000 persons, or many of them, are the recruits that prevent the army of standardless workers from growing smaller in this land of opportunity. And the presence of this army seems to me to constitute an insurmountable obstacle to the realization of the individualist's millennium. Skilled workers, by developing standards that they adhere to in good times and in bad and by organization, are able to advance their wages. It is of them that we usually think when we say that wages are rising. Unskilled and unorganized workers show no such capacity. They are at the mercy of the law of supply and demand. When demand for labor is active, as at present, more of them find work, and their earnings are higher than in periods of depression. But inveterate habit leads them to expand their expenditures as their earnings increase. They always live from hand to mouth. From their ranks employers can always recruit their labor force when those a little higher up in the labor scale strike to improve their condition. Unemployment finds them without savings, and soon reduces them to the position of social dependents.

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It is these facts that seem to me to make the program of individualism little better than a program of despair. By relying upon it we have made little real progress toward exterminating poverty. So far as I can see, we can hope by its means to make little real progress in the future. If we accept it, we must either blind our eyes to the facts about us, or else follow the early English economists in looking upon subsistence wages for the lowest grade of laborers as a part of the order of nature, and finding our consolation in the increased number and the increased comfort of the higher groups of wage earners and of the propertied class.

I, for one, am unwilling to accept either alternative. I believe that we shall devise means for exterminating poverty as we have devised means for exterminating other evils. The failure of wage earners to provide, each for himself, against the contingencies that I have specified — accidents, illness, premature death, unemployment, and old age — is to my mind merely proof that collective remedies must be found and applied to these evils. The program of social reform, which is explained in detail in the chapters which follow, deals mainly with these collective remedies. In brief outline, it consists in protecting wage-earning families

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which have developed standards of living from losing them, and in helping wage-earning families without standards to gain them. The first end is to be accomplished by making obligatory for wage earners exposed to industrial accidents, illness, premature death, unemployment, and old age, adequate plans of insurance against these evils. The second, by withdrawing from competitive industries the lowest grade of workers, the tramps and casuals, and giving them the benefit of industrial training in graded farm and industrial colonies, from which they shall be graduated only as they prove their ability to be independent and self-supporting.

I can hardly ask you to accept this program until I have explained and defended it in detail. I do, however, ask you to approach it with open minds, and that you may do so I feel that I must here consider a general objection that is always urged against proposals of this kind. The mere suggestion that collective provision for future needs be substituted for individual provision seems to many thoughtful persons to be fraught with danger. Experience has taught them that in their efforts to improve the condition of the poor they must be constantly on their guard against pauperizing those

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they are trying to help. Giving people things that they ought to work to get is a form of charity that they justly regard with suspicion. To such persons the same reasons that have made "mere relief" a byword among intelligent social workers may seem to apply to plans for substituting collective provision for the future for individual thrift and forethought. Is it wise or safe, they ask, to abandon present efforts to induce wage earners to provide voluntarily for their future needs and to make such provision on their part obligatory? Will not this tend to make them even less provident and less independent than they now are? The answer to these questions seems to me to turn upon the sort of future needs that it is proposed to provide against. If the need is one that the wage earner clearly foresees as certain to arise, then I should be the last person to wish to relieve him of responsibility for meeting it. If, for example, we were discussing means of helping wage earners to pay their rent, I should say the only safe means are measures designed to increase their energy, ambition, and efficiency. Only in extreme cases should a need of this sort be met by outside help. But the future needs we are considering are not of this sort. Many wage earners go through life without being

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the victims of industrial accidents, without serious illness, never lacking for work, and not living long enough to become superannuated. These are all risks to which wage earners are exposed, not certain needs which they can clearly foresee. The average wage earner does not believe that he will be overtaken by any of these evils. He is an optimist. He believes in his luck. It is easy to make him see that collective provision for these needs is desirable, because he knows that others are unlucky. It is not easy to convince him that he personally should insure himself against them, because he thinks that he personally is immune. For contingencies of this sort to which all are liable, but which many escape, collective provision seems to me not only desirable but necessary. So long as we do not interfere with the individual's personal responsibility for meeting the needs which he knows he will experience, — needs for food, clothing, shelter, etc., — making collective provision against the risks to which he is exposed should not undermine at all his spirit of independence and self-help. On the contrary, by increasing his sense of security, such provision should strengthen the motives that he has for saving. For it is not true that those who are most prone to save

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for future needs are those whose needs are most urgent. No class in the community is so improvident as vagrants who never feel sure of to-morrow's dinner. No class is more provident than the self-made millionaires whose provision for future requirements already exceeds the dreams of avarice. As security of property is the indispensable condition to the accumulation of capital in a community, so, I believe, security of income is indispensable to developing among wage earners the habit of looking ahead and making provision for those future needs that can certainly be foreseen. One justification of the program of social reform that I advocate is that it will foster providence and forethought by insuring wage earners against those interruptions to the steady flow of their incomes which now so frequently occur. The program may go too far or it may not go far enough, but it certainly is not open to the objection which we apply to indiscriminate relief. It still leaves the individual the arbiter of his own destiny in the all-important business of earning a living. And it does not supersede but only supplements those other efforts that we must continue to put forth to strengthen and elevate individual standards of living and standards of efficiency.

CHAPTER II

INDUSTRIAL ACCIDENTS, ILLNESS, AND PREMATURE DEATH: PREVENTION

ANY analysis of the causes of human misery must give an important place to the evils to be discussed in this chapter, — industrial accidents, illness, and premature death. Together they go far to account for the persistence of poverty and dependency in a country so fortunately situated as the United States. If they could be eliminated, or their harsh consequences softened, rapid progress might be made in that reduction of poverty which we all have at heart. Here I shall discuss the extent of these evils in the United States, and the measures that may be taken to prevent their occurrence. In the next chapter I shall consider methods of safeguarding wage earners against the losses which they entail.

Fourth of July orators are fond of calling attention to the different fields in which these United States beat the world. There is one field, however, which in our expansive and self-congratulatory

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moods it is better for us to forget. The United States shows every year a larger proportion of industrial accidents on its railroads and in its mines and factories than any other civilized land.

According to a recent comparison, we kill nearly three times and injure more than five times as many railroad employees, in every thousand employed, as Great Britain; we kill two and one half times and injure five times as many as Germany, and we kill more than three and injure nearly nine times as many as Austria-Hungary.¹ The showing made by our mining industries is almost as bad. To refer only to coal mines, in the five years, 1902-1906, three and one third employees in every thousand were killed on the average each year in the United States, as compared with two in Prussia (1900-1904), one and one quarter in Great Britain, and one in Belgium.² That the showing made by our mills and factories is equally unfavorable, no well-informed person will deny. The very reason which makes it impossible to prove this in figures — that is, the absence of trustworthy accident statistics for

¹ The New Encyclopedia of Social Reform, p. 7.

² Coal-Mine Accidents: Their Causes and Prevention. U. S. Geological Survey. 1907.

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the United States — is indirect evidence of our backwardness in the field of accident prevention. Basing a judgment on such comparative data as are available, I feel safe in asserting that, as regards occupations generally, accidents are nearly twice as common in the United States in proportion to the number employed as they are in the United Kingdom and Germany, and that, as regards the railroads, they are nearly three times as common.

Just what this means in loss of life and limb, in suffering, poverty, and dependency, it is impossible to state with any degree of accuracy. According to the mortality statistics for 1908, there were in that year 44,089 deaths from accident in the registration area of the United States, of which 19,287 befell gainfully employed men and boys, and 683, gainfully employed women and girls. All of the accidental deaths, even of the gainfully employed, were of course not due to *industrial* accidents; but it does not seem unreasonable to assume that three fourths of them were. Remembering that the registration area in 1908 embraced only one half of the population of the country, we may thus conclude that the fatalities from industrial accidents in that year aggregated about 30,000.

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That this total is not excessive is indicated by the fact that the annual death toll which our railroads and coal mines alone levy upon those they employ exceeds 5000,¹ although the employees in these industries constitute less than one tenth of the gainfully employed men and boys of the country.

Any estimate of the number of non-fatal accidents in the United States must be accepted as a pure guess. In 1906, according to figures furnished by the United States Geological Survey, our coal mines injured two and one half times as many men as they killed. There are other occupations, as that of linemen repairing wires carrying high-tension currents, in which men are seldom injured by accidents; they are almost always killed. On the other hand, on the railroads last year more than twenty times as many men were injured as were killed. Other industries, like textile mills,

¹ During the ten years ending June 30, 1909, the average annual number of fatal accidents to railroad employees was 3307; during the three years, 1904 to 1906, the average number of coal miners killed was 2052. The number of coal miners killed in 1908 was probably a good deal larger than this average, since 1250 were killed in Pennsylvania alone, in that year. With the terrible Cherry Hill disaster to its credit, there can be little doubt that 1909 established a new high record, though the exact figures are not yet available.

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would show many injured, but few if any killed, over a long period of years. Between these limits the fancy of the imaginative statistician may play at will. Mr. F. L. Hoffman, an acknowledged authority in this field, estimated the number of non-fatal accidents in the United States in 1908 at 2,000,000.¹ Professor R. P. Falkner, equally qualified to speak authoritatively on a statistical question, considers an estimate of even 500,000 "overdrawn."² What neither he, nor Mr. Hoffman, nor any other student of the subject, will deny is that the number of non-fatal as of fatal accidents in the United States is inexcusably, criminally large, and that fully half the accidents that now occur could be avoided.

As there is no difference of opinion in regard to the possibility of reducing the number of industrial accidents in the United States, so there is little as to the methods which should be adopted to this end. The principal changes in our present policy which should be made are three: First, the law should require that industrial accidents

¹ Bulletin of the U. S. Bureau of Labor, No. 78, September, 1908.

² Proceedings of the Ninth Annual Meeting of the National Civic Federation, December 14 and 15, 1908. p. 156.

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in all occupations be regularly reported to some public authority which shall make it its business to study the causes of accidents, and to devise means of preventing them. Second, safety and sanitary regulations, recommended by this public authority, should be drawn up and rigidly enforced by means of regular inspections. Third, some plan of accident indemnity should be devised which shall make it overwhelmingly to the financial advantage of employers to reduce to the narrowest limits the number of accidents that befall their employees.

Reference has already been made to the inadequacy of our information in regard to accidents. Even in New York, which is now fairly successful in securing reports in regard to factory accidents, no accident reports whatever are required in connection with building operations. To get information in regard to accidents in the building trades, the investigator must have recourse to the records of the private accident insurance companies. Thus, the first step toward wise regulation — information in regard to accidents, their causes, etc. — has yet to be taken in the leading state in the Union, in this notoriously dangerous industry! And New York is not behind the rest of the country

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in this field. On the whole, she is well in the van of progress, — but a progress which has only just begun.

As regards safety and sanitary regulations and inspection, the United States is equally backward. That the number of accidents can be greatly reduced by regulation and inspection has been proved over and over again. Thus, as regards the railroads, significant results have followed the requirement by federal law that automatic couplers be used. In 1893, when few automatic couplers were in use, the number of persons killed while coupling and uncoupling cars was 2.9, and the number injured was 76.9 for every 1000 employed in this operation. In 1908, when the law was generally observed, the number killed was only 1, and the number injured only 16.1 for every thousand. In other words, the number of fatalities in this department of railroad service was reduced to one third, and the number of accidents to one fifth what it had previously been, by this one simple remedy. How far accident prevention may be carried by intelligent attention to the problem is proved further by the fact that in 1908 there was not a single passenger killed on the railroads of Great Britain, and that one well-known railroad

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system in this country is said to have been equally free from accidents to passengers for ten successive years.

Accident prevention is equally possible in other occupations. A report recently published by the United States Geological Survey¹ shows how European countries have reduced the number of accidents in their coal mines by imposing and enforcing regulations in regard to the size of the charge that may be fired in a mine, the time when charges may be set off, the kind of safety lamps that must be used, etc. Engineers agree that coal mining is naturally safer in the United States than in Europe, where mines are deeper and veins are narrower. It is no exaggeration to say that we could reduce the number of fatal and non-fatal accidents that occur in coal mining to one third, or even one fourth, the present figures, if we would give the attention to the problem that it receives, for example, in Belgium. And we must do this. The present wanton sacrifice of lives and limbs is a national disgrace!

The final method of checking accidents is to make them costly to employers. In saying this,

¹ Coal-Mine Accidents: Their Causes and Prevention. By Clarence Hall and Walter O. Snelling. 1907.

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I do not wish to put the blame for the present situation upon employers. We must all share it. It is a result of our American haste and our tendency not to count the cost so long as the end aimed at is attained. But there are different ways of attaining ends. We have too long been satisfied with a system of accident indemnity that encouraged employers not to count the cost of human limbs and human lives. A different system, one which will put a price on every arm and leg and life that may be sacrificed on the altar of industry, as urged in the next chapter, must be adopted.

Along these lines — fuller information in regard to accidents, wise safety and sanitary regulations strictly enforced through frequent inspections, and a system of workmen's compensation that will make the employer the eager co-worker with the inspector in the effort to prevent — great progress may be made in reducing the number and seriousness of industrial accidents. Can an equally favorable claim be made in regard to the prevention of illness?

We have no exact statistics as to the amount of illness in the United States. Special inquiries, however, such as that of Dr. Jacobs, into the amount of illness calling for hospital treatment in

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New York City, appear to indicate that the situation here is not very different from the situation in the United Kingdom. On the basis of English statistics, Dr. Farr concluded, some twenty-five years ago, that in Great Britain and Ireland for every death in the community there are a little more than two years of illness. This amounts to saying that two persons are continually ill for every one person who dies in a given period. Needless to say, the persons ill vary constantly. The figures indicate merely that, for every death, two years of illness fall to the lot of some persons somewhere.

According to the most recent mortality statistics, the number of deaths in the United States in 1908 was about 1,500,000.¹ This would indicate, if we apply Farr's formula, that as many as 3,000,000 persons were continuously ill during that year. Of these, according to a careful estimate, as many as 500,000 were afflicted with tuberculosis, half of them being completely incapacitated by the disease, and the other half partly incapacitated.

¹ The actual number of deaths reported in the registration area was 691,574. As this area included only one half of the population of the country, and some deaths were undoubtedly not reported, the figure for the whole country is put at 1,500,000.

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On the average, the figures indicate a loss of 13 days a year by each man, woman, and child in the country, as a result of illness.¹

This loss is so appalling that it is difficult to appreciate at once its full significance. If we assume that the proportions in the different age classes of ill persons correspond to the mortality figures, more than one fourth of this illness affected children under five years of age; more than two fifths, persons from twenty to sixty-five years of age; and one fourth, persons over sixty-five years of age.² It would thus appear that more than 1,200,000 persons from twenty to sixty-five years of age, or in the period of active manhood and womanhood, were continuously ill. When we compare these 1,000,000 odd mature men and women who are ill every day with the number of victims of industrial accidents, the greater seriousness of the problem which illness presents is apparent.

¹ These estimates agree with those of Professor Irving Fisher, from whose valuable *Report on National Vitality* (Washington, 1909) many of the following facts in regard to illness and its prevention are taken.

² This undoubtedly involves an understatement of the amount of illness that affects the higher age classes, as it is well known that morbidity increases with age.

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The best way to determine what proportion of this illness is preventable is to start again with the facts revealed by the mortality statistics. Much illness is, of course, due to minor ailments rarely if ever causing death. A large part, however, is the consequence of the diseases which contribute each year to the death rate. By considering these diseases from the view-point of preventability, we may get some idea of the extent to which illness is preventable.

The first fact which must impress the student of death rates is the extent to which these rates vary among different countries and among different sections of the same country. Recent statistics indicate that the number of persons who die in a year, in proportion to 1000 of the population, ranges from only 13.5 in Denmark (1906) and 14.4 in Sweden (1906) to 42.3 (males) in India (1901). In the registration area of the United States the death rate in 1908 was 15.3.¹ When we go behind this average figure, we discover that variations within the United States are very striking.

¹ This is undoubtedly lower than is warranted by the actual facts, because of incomplete returns from some parts of the registration area. In 1900 Professor Wilcox put the corrected death rate at about 18.

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As regards the different states, the rates for 1908 vary from 10.1 and 11.6, in South Dakota and Wisconsin respectively, to 17 and 18.4 in Colorado and California respectively. Cities show even wider variations. Thus, St. Paul and Minneapolis report rates of 10.1 and 10.3, which rival the low rate for South Dakota; while, at the other extreme, Fall River, New Orleans, and San Francisco show rates in excess of 22. New York City shows a rate midway between these extremes, of 16.8.

The reasons for these wide variations become apparent as soon as we study the mortality from different diseases in different localities, and among different classes of the population. A few illustrations will make this clear and will explain why physicians generally take such optimistic views of the possibilities of disease prevention.

Some diseases, like cholera and smallpox, which used to decimate periodically the populations of whole countries, are now almost forgotten in the Western World, although they are still serious scourges in the East. It is the persistence of these diseases and the ravages of famine which make the death rate of India nearly three times as high as the death rate of the United States.

More recent has been the successful campaign

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that has been waged against yellow fever in sections where it used to be one of the chief causes of a high death rate. To cite only the experience of Havana, Cuba, before the American occupation, the death rate from this disease rose as high in some years as 640 per 100,000. Even in 1900, the year during which American sanitary engineers were making a clean-up of the city, the rate was 124. In 1901 the rate fell to 7, and during the next three years — 1902, 1903, and 1904 — not a single death from yellow fever was reported.

Less sensational, but still impressive, is the progress made in coping with malaria since the connection of this disease with the vagrant mosquito was discovered. During the last eight years the deaths ascribed to malarial fever in the United States, per 100,000 of the population, have decreased by gradual steps from 5.4 to 2.5. This disease, which used to be a serious scourge in many sections of the country, is thus gradually losing its importance.

More impressive still are the results that have followed improvements in the public water supplies of cities in the United States which have shown a high death rate from typhoid fever. Thus, in Lawrence, Massachusetts, the death-rate from this

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disease was reduced from 105 to 22 per 100,000 as a consequence of improving the city's water supply. In 1907 Pittsburg had the unenviable distinction of showing the highest death rate from typhoid fever, 130.8, of any city in the civilized world. Allegheny was a close second, with a death rate of 96.9. During the next year, in consequence of the operation of a new filtration plant, the death rate for Pittsburg and Allegheny together — the Greater Pittsburg — was brought down to 46.6, or about to the point at which the death rate from this disease, for the whole United States, stood in 1890. That this is only a beginning in the direction of the improvement that must follow the introduction of pure water, pure milk, and pure air into regions previously polluted, is shown by the fact that, in the same period, Cincinnati reduced its death rate from typhoid from 46.4 (1907) to 18.6 (1908), and that, in the United States as a whole, the death rate from this cause was brought down from 46.3, in 1890, to 25.3 in 1908. That this progress may continue, until typhoid follows malarial fever into the position of an unimportant disease, is suggested by the fact that Worcester, Jersey City, Paterson, and Richmond Borough of New York already show death rates from typhoid

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of 10 or less, and that even this rate is high in comparison with the rates for the cities of western Europe. Thus, the rate for London in 1907 was only 5; that for Edinburgh, 2; that for Paris, 8; for the Hague, 1; for Berlin, Hamburg, and Vienna, 4; and for Munich, 3. There is no reason why similarly low rates should not be ultimately attained by the whole United States.

Official figures do not yet indicate in an equally striking way that progress is being made in lessening deaths from tuberculosis, but they do show a steady, if gradual, improvement. Thus, the number of deaths from tuberculosis of all forms in the United States, per 100,000 of the population, decreased in the five years from 1904 to 1908 from 201.6 to 173.9. The decline in deaths from tuberculosis of the lungs was even more marked, the rate falling from 177.3, in 1904, to 149.6, in 1908. In view of the short time during which the campaign against the white plague has been carried on, on a scale at all commensurate with the evil, this reduction in the death rate from tuberculosis of nearly 15 per cent in five years is highly encouraging. Professor Irving Fisher estimates on the basis of the opinions of specialists whom he consulted that the mortality from consumption may

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be reduced 75 per cent. Others go so far as to predict that tuberculosis will one day follow cholera, smallpox, and yellow fever in becoming one of the rare causes of death in civilized countries. That the death rate from this cause may and will be greatly reduced in the future, no well-informed person questions.

In addition to reducing the frequency with which specific diseases cause illness and death, sanitation and attention to the laws of health may increase greatly the resisting power of the human organism to diseases in general. There can be no question that economic conditions have an important influence on health and vitality. Thus, Newsholme found that in Glasgow the death rate for families living in one- and two-room houses was 27.7; for families living in three- and four-room houses, 19.5; and for families living in five rooms and over, 11.2.¹ Similarly, Rowntree discovered that the death rates in York, in three sections which he distinguishes as "poorest," "middle," and "highest," were 27.8, 20.7, and 13.5.² Levasseur made a similar comparison of different quarters of Paris which showed even more striking differences. The

¹ Vital Statistics, 1899, p. 163.

² Poverty: A Study of Town Life, 1902, p. 205.

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death rates he found were: poorest, 31.3; middle, 16.2; highest, 13.4.¹ Such calculations confirm the conclusion which, in any event, would commend itself to common understanding, that every advance in the campaign against poverty is also an advance against disease and death, which are themselves frequent causes of poverty.

It is impossible, with our present knowledge, to estimate the extent to which illness and death are preventable. Nevertheless, it is suggestive to bring together the views of physicians and others on this subject, and to hazard a guess as to what may be done. A notable effort of this sort was made by Professor Irving Fisher, in the *Report on National Vitality: Its Wastes and Conservation*, which he prepared last year for the National Conservation Commission.

Professor Fisher's method was to establish by consultation with physicians, sanitarians, and others a percentage of preventability for each of the ninety most important diseases distinguished in our mortality statistics, and then to determine the effect which the prevention of all preventable diseases would have upon the death rates for different age classes.

As we should expect, he found that the greatest

¹ *La Population Française*, 1889-1902, Vol. II, p. 403.

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field for advance is presented by the diseases to which infants and young children succumb. His calculation leads him to believe that pure air, pure milk, pure water, proper sanitation, and attention to the known laws of health, *if provided for all children*, would reduce the mortality of infants 47 per cent and that of young children (median age two to eight) 67 per cent. If correct, these estimates mean, as is pointed out in the Census Bulletin on Mortality Statistics for 1908, "applied to the 200,000 deaths of infants and children in the registration area, or the possible 400,000 deaths of these classes in the United States, a saving of at least 100,000 or 200,000 lives each year." And the hard-headed compiler of the Census figures adds, "This does not seem unreasonable, when we consider the fact that there is apparently no reason why infants, *if properly born* (and this means simply the prevention of ante-natal disease, and the improvement of the health and conditions of living of their parents), should die at all in early infancy or childhood, except from the comparatively small proportion of accidents that are strictly unavoidable."

Applying the same method to the diseases which carry off each year older children and

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adults, Professor Fisher estimates that 49 per cent of the deaths due to the diseases of youth and middle age (median age 23 to 49) are preventable, and 28 per cent of those due to the diseases of advanced age (median age 52 to 83). Combining these figures, he concludes that 42.3 per cent of the deaths which now occur might be prevented, or, more properly, postponed.

To make it clear what such a change would mean to the people of the United States, he translates this 42.3 per cent into its equivalent in the average addition to the length of life that would result from it. The average duration of life in the United States at present he estimates, on the basis of the available evidence, to be forty-five years. This average he finds would be increased by over fourteen years, or nearly one third, if deaths were prevented or postponed, as he is convinced they might be. Of this increase, "4.4 years would be caused by reducing infant deaths under or near one year; 1.5, by reducing mortality from children's diseases; 6.8, from reducing the diseases of middle life, especially tuberculosis and typhoid; and only 1.3 by reducing the mortality of diseases the deaths from which usually come after 50 years of age."

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Another aspect of illnesses that may be prevented and deaths that may be postponed is their cost. Professor Fisher concludes his report with some calculations under this head which I cannot refrain from quoting. Estimating that the number of persons who are sick all the time in the United States is about 3,000,000, and that very close to one third of these — or 1,000,000 — are in the working period of life, he figures out \$500,000,000 as the minimum loss in earnings. To this he would add \$1,500,000,000 as the cost of medical attendance and other extraordinary expenditures necessitated by illness. This figure, he admits, may be too large. For it he suggests that we substitute the average expenditure connected with illness found to be incurred by the wage earners' families investigated by the United States Bureau of Labor in its study of wage-earners' budgets, \$27, multiplied by the 17,000,000 odd families living in the United States. The resulting total, \$459,000,000, may safely be said to be much less than the actual cost of this item. The actual cost of illness in the United States, including the cost of medical attendance and the loss in earnings, is certainly, therefore, not less than \$1,000,000,000 a year, and may be as much

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as \$2,000,000,000. That this estimate is conservative is shown by comparing it with estimates that have been made by physicians from time to time. Thus, Dr. George M. Kober has calculated that typhoid fever alone costs the country not less than \$350,000,000 per year. Dr. George M. Gould has estimated that sickness and death in the United States cost \$3,000,000,000 annually, and that at least a third of this is preventable. Professor Fisher himself is confident that fully one half of the loss due to illness, or at a minimum, \$500,000,000, may be saved by fuller attention to preventive measures.

To the loss due to preventable illness must be added, of course, the loss due to deaths that might have been prevented or postponed. Estimating the annual number of deaths in the United States at 1,500,000, and assuming that 630,000 of these deaths are preventable or postponable, he concludes that the saving to the community that would result from the prolongation of life which he deems possible would amount to \$1,000,000,000. Thus, the total saving that may be expected to result from due attention to the conservation of national vitality is not less than \$1,500,000,000 a year, and may be much more.

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A discussion of all the measures that may be taken to prevent illness and postpone death would carry us into the technical field of preventive medicine. It is a remarkable fact, however, that the physicians who are most optimistic in regard to the problem of increasing national vitality and prolonging human life pin their faith, not so much to novel methods of combating disease, as to the wider extension of simple preventive and protective measures that have long been familiar.

Thus, Professor Fisher shows that of the ninety diseases that appear as the most important causes of death in the United States, seven account for more than half of the shortening of life which he considers preventable. These are diarrhea and enteritis, broncho-pneumonia, meningitis, typhoid fever, tuberculosis of the lungs, violence, and pneumonia. Together, these seven causes shorten the average duration of life in the United States needlessly by more than eight years. The means for combating these causes of death on which physicians place the greatest reliance are pure milk, pure water, pure air, and protection from accidents. If by a wise combination of community action and private philanthropy impure milk, impure water, impure air, and unnecessary exposure

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to accidents could be eliminated from American life, its average duration might be extended at least eight years, and probably a good deal more, since these are contributing factors in perpetuating other diseases also.

The means to be taken to insure pure milk, pure water, pure air, and protection against needless accidents to an ever larger proportion of our people are various but simple. All that is really necessary is that public opinion be educated up to the point of demanding these indispensable conditions to health, and municipalities will devise measures to insure them. Municipalities, as a rule, already assume responsibility for furnishing pure water to their inhabitants. Their standards of purity are often much too low, but there is little difference of opinion as to the means to make them higher.

Pure milk and pure air are not so easily secured, but that they can be secured is proved conclusively by the experience of those municipalities at home and abroad which are fully alive to their importance. No academic objections to municipal socialism should deter us from insisting that it is just as much the duty of the municipality to see to it that pure milk and pure air are within the reach of every citizen as that pure water is available.

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Provision of pure milk may be brought about by a proper combination of state and municipal regulation and inspection, or may be achieved only through municipal pure-milk depots. This is a technical problem that may call for different answers in different sections, but whatever the answer, nothing should deter us from pursuing the goal until it is attained.

Pure air for city dwellers may be secured by tenement house and factory and workshop regulations and inspection, or it may be attainable only through the systematic reconstruction of our cities, and the redistribution of congested populations over wider areas and in more healthful sections. Here, again, the goal is the thing to be held in view and to be worked toward, irrespective of the means that may prove to be necessary for its attainment.

In addition to the provision of pure water, milk, and air, for which we must depend upon municipal and state action, there are more complex means of combating disease and strengthening vitality, for guidance in the application of which we may well look to the national government. It is an amazing fact that, up to the present time, our federal government has devoted much more time

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and money to the protection of the lives of cattle, sheep, and hogs than it has to that of human beings. The Agricultural Department has long been effectively organized to study the conditions favorable to the health and development of plants and animals. We are still without any department to consider the conditions favorable to the health and development of men and women. Millions of dollars are expended every year—and wisely expended—on the agricultural experiment stations, and our knowledge in regard to methods of combating the diseases to which plants and animals are subject has been greatly extended. No similar provision is made for the study of human diseases, and though valuable work has been done in this field by army surgeons and other federal officials, they have worked without adequate financial assistance and without the persistent coöperation that is only possible in a permanent governmental department or bureau.

It is these considerations that caused President Taft, in a recent message to Congress, to follow President Roosevelt in advocating the creation of a Federal Bureau of Health, which should undertake to do for men and women what the Agricultural Department is doing so well for plants and

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domestic animals. It is earnestly to be hoped that this recommendation may lead to legislation, and that in a short time the federal government may be doing its share in the work of combating disease, to which so many agencies are now contributing. That these agencies together will steadily increase our knowledge of the causes and prevention of diseases that now baffle medical science must be the conviction of every one who considers what has already been accomplished. The same concentrated attention that mastered yellow fever must triumph over the hook-worm disease, if the proper treatment of that malady is not already understood. The same patient investigation that has yielded our present knowledge of tuberculosis must in time clear up the mystery which surrounds cancer. So, one by one, the dread diseases that have pursued humanity with illness and premature death in the past must be shorn of their terrors by the progress of medical knowledge. The prospect of such progress was never brighter than at present. Professor Fisher's estimate that the length of life may be prolonged by one third may now seem extreme, but changes may be imminent which will make it appear unduly cautious. Physicians are not lacking who

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insist that a time will come when all diseases will be understood, and all who care to obey the known laws of health may look forward confidently to a green old age. But this prediction refers to a future still remote, and even the most sanguine prophets of the new day, like Pasteur and Metchnikof, would hardly urge that present policies be determined by it.

I have devoted this chapter to the prevention of industrial accidents, illness, and premature death, not because I had any specially novel or significant methods of prevention to present, but because I wished it clearly to appear that the measures I shall advocate for indemnifying those who suffer because of these evils are not substitutes for preventive methods, but merely supplements to them. In any program of social reform prevention of these evils must always be given the first place. If we could entirely prevent them, then preventive measures alone would suffice. Unfortunately, we cannot entirely prevent them. The number of fatal accidents that occur in the United States may be cut in two. Non-fatal accidents may be reduced in equal proportion. Two fifths of the illness that now burdens our people may be checked, and the average duration of life

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may be extended by one third. These improvements may be attained, and we must all work for them in season and out of season. But even after they are attained, and much more during the many years while we are striving for their attainment, industrial accidents, illness, and premature death will impose a heavy burden on those who suffer in consequence of them. In the next chapter I shall consider what may be done to lighten this burden and check the stream of poverty and pauperism that is now directly traceable to these sources.

CHAPTER III

INDUSTRIAL ACCIDENTS, ILLNESS, AND PREMATURE DEATH: COMPENSATION

IT is not surprising that the United States compares unfavorably with other countries in the number of its industrial accidents. Our haste, our recklessness, our eager desire to equip our plants with the latest and largest machinery and appliances, all contribute to this result. It is matter for surprise, however, that we go on dealing as we do with the victims of industrial accidents. Instead of treating them generously, or even justly, we continue to permit compensation for their injuries to depend on the operation of a law of negligence which has been discarded as barbarous and out of date by the rest of the civilized world.

Under our employers' liability laws, an injured workman can recover damages only in case he can convict the employer of fault. An employer is

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bound to use reasonable care for the safety of his employees while they are at work. This is held to include providing a reasonably safe work place and reasonably safe tools and appliances, exercising reasonable solicitude in the hiring of fellow-servants, and drafting reasonable rules for the regulation of the employment. It rests, of course, with the courts to determine what is "reasonable" in these different connections, and by their decisions a number of defenses have been accepted as valid which seriously weaken the employer's responsibility. In the first place, "contributory negligence" on the part of the injured workman serves, in the absence of statutory limitation, as a complete bar to recovery. Closely related to it is the "assumption of risk" which is always presumed on the part of the workman and which, in New York State, for example, will bar recovery even when injury results from a clear violation by the employer of the requirements of the labor law, provided the employee knew of the violation and nevertheless continued at his employment. Finally, the so-called fellow-servant rule is a happy expedient for reducing corporate responsibility for accidents to the very lowest terms. Under it the injured workman cannot recover from the com-

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mon employer if the injury is due to the negligence of a fellow-workman or "fellow-servant." Recognition that some employees are vice-principals of the corporate employer even under the common law, and extension of the vice-principal relation by statute prevent the "fellow-servant" rule from entirely relieving corporations from responsibility for accidents to their employees, but in most of the states the general rule, even when so amended, goes far in this direction.

Unless it can be proved that the accident is due to the negligence of the employer, as thus legally circumscribed, the whole burden of loss and expense which it entails, as well as the pain and suffering which it causes, must be borne by the injured workman and those dependent upon him.

There are many persons, lacking neither in humanity nor intelligence, who defend this law as essentially fair and just. The principle on which it rests, that is, that every one should be responsible for his own acts and omissions, and only for his own acts and omissions, seems to them reasonable, even necessary. If the employer is negligent, the workman injured in consequence of such negligence is certainly entitled to damages. But if he is not negligent, why, they ask, should the

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employer be made to pay compensation? Why punish a person for what is not his fault?

To answer these questions wisely we must turn from abstract principles to a consideration of the social consequences of the policy, which, by implication, they justify. Our employers' liability law presumes, as the courts never tire of pointing out, that reasonable regard for their own interest will lead workmen to shun hazardous employments unless the wages offered are sufficiently high to compensate them for the risks they run. The law also presumes, apparently, that workmen are sufficiently intelligent and forethoughtful to use their higher earnings to insure themselves against the accidents to which they are exposed.

If these presumptions were borne out by the facts of industrial life, founding accident compensation on negligence might be defended. But there is not the slightest evidence to support them. In notoriously dangerous employments, such as those of the deep-sea diver or the sand hog engaged in tunnel construction, wages are indeed higher than in safe employments, but by no means as much higher as they should be to offset the risks of such occupations. On the other hand, in employments where the risk is less notorious, as, for example,

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that of trainmen on American railroads, wages are not appreciably higher than they are in comparatively safe employments. If economists ever gave countenance to the belief that competition tends to adjust wages to the degree of hazard in different occupations, they have long since abandoned the theory. Authority after authority might be cited to prove that this legal presumption is without foundation in fact. Nor is it difficult to understand why the self-interest of wage earners fails to deter them from entering dangerous employments. The average workman, whatever his employment, is an optimist. He may know that a certain proportion of his fellow-workmen is likely to be killed every year and a larger proportion injured, but he personally does not expect to be either injured or killed. Thus, a railroad trainman in the United States may learn from the reports of the Interstate Commerce Commission that in a normal year about one in ten of his fellow-employees will be injured and one in one hundred and twenty-five killed. But it does not occur to him to expect that he will be either injured or killed, and in most employments, because of the lack of accident data, the employee has no means of comparing the risks that he incurs with the risks

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encountered in other industries. For these reasons, wages in dangerous trades continue, year after year, little if at all above the wages paid in comparatively safe employments.

Moreover, the number of wage earners who are sufficiently forethoughtful to insure themselves against accident is so small as to be negligible. It follows that, even when wages are slightly higher because of the danger of the occupation, the result is normally merely a somewhat higher scale of living on the part of the wage-earner's family, no adequate provision being made against accidents when they arise.

It is impossible to determine accurately what proportion of injured wage earners do, as a matter of fact, secure indemnity from their employers under the present law. According to the reports of the Employers' Liability Insurance companies, on the average less than one eighth of the accidents that are reported to them result in the payment of indemnities. That the proportion must be very small is proved by every investigation into the causes of accidents. Such investigations show that one half or more of the accidents that occur are due to the risks of the industry, *i.e.* cannot be fairly attributed to the negligence either of the

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employer or the employee; they just happen.¹ Of the remaining one half the greater number are, in the eyes of the law, due to the negligence of the employee or of his fellow-employees. Considerably less than one fourth can be traced to the negligence of the employer in a sense that renders him legally liable. The practical result of saying that the employer shall be made to pay compensation only when he is personally at fault is, therefore, to render a large proportion of the victims of industrial accidents dependents on public or private charity. The maintenance of these unfortunates, for which employers disclaim responsibility, becomes a burden on society.

It is in the light of these facts that we must consider the justice and adequacy of our present employers' liability law. Wages are not appreciably higher in dangerous than in safe employments. Even in employments where they are higher, it is very exceptional for wage earners to insure themselves against accidents. Under the present law

¹ An oft-quoted German table ascribes 42 per cent of the accidents in a certain year to the hazard of the industry. An equally authoritative Austrian table puts the proportion at 70 per cent. The only states in this country, Wisconsin and Minnesota, to investigate this question show similarly wide variations. Thus, in Minnesota, in 1906-1907, 54 per cent were due to the industry; in 1907-1908, 71 per cent.

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more, probably many more, than one fourth of those who suffer industrial accidents have to bear the resulting loss in earnings without any help from the employer. Industrial accidents are thus one of the most common causes of poverty and dependency in our American communities.

Negligence is clearly too narrow a basis on which to rest society's policy with reference to accidents. Employers object to being made liable for accidents which are not due to their negligence, but why, it may be asked, should they not be liable? The majority of accidents, whether to men or to machinery, to trainmen or to trains, are necessary incidents of industry as it is now carried on. It is taken as a matter of course that those who embark in industry for their own profit should bear the loss connected with accidents to their plant or equipment. Experience shows that they are quite able to insure themselves against these risks, and to pass on the cost of insurance to consumers as one of the normal items in the expense of production. Why should they not also bear the loss resulting from personal injuries to their employees? That these injuries do not result from their negligence is beside the question. They are regular and necessary

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consequences of carrying on industry as they carry it on, and as directors of industry they should be required to meet these as well as other expenses involved in production. No one is under any compulsion to embark in an industry against his will. If he does embark in an enterprise, does not the interest of society require that he should be prepared to meet all of the expenses which the prosecution of the industry entails? To be sure, he pays wages to his employees, but these are not sufficient to compensate them for the risks they run. If they are to be compensated, it must be through additional payments when accidents overtake them. Requiring the employer to make these additional payments is the only practicable way of adding accident compensation to the expenses of production and passing it on to consumers for whose benefit all industries are carried on.

Our employers' liability law is not merely inadequate; it has serious, positive defects. The wastes that result from its operation are little short of appalling. So irregular and uncertain is the outcome of damage suits under it that the great majority of employers feel compelled to insure themselves against their liability in Em-

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ployers' Liability Insurance companies. According to the reports of these companies submitted to the insurance departments of the various states, not more, on the average, than 45 per cent of the premiums which employers pay to them are expended in the satisfaction of the claims of injured workmen. Of the remaining 55 per cent, nearly one half is expended in the payment of agents, and the remainder for administrative expenses of various kinds, among which the cost of fighting the suits of wage earners takes a prominent place. When it is considered that wage earners, in order to secure the damages to which they are entitled under the law, must, as a rule, employ attorneys on their side, and that the compensation of these attorneys averages in the neighborhood of one third of the damages ultimately obtained, the waste resulting from the system is apparent. It is no exaggeration to say that under it wage earners, as a rule, secure for their own benefit not more than 30 per cent of what employers expend in the premiums they pay to insurance companies.

Of course, in the cases in which employers carry their own liability, or, by agreement with their employees, substitute regular scales of com-

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pensation for the uncertain payments resulting from damage suits, the showing is much more favorable. In general, it must be said, however, that it is favorable only to the extent that both employers and employees voluntarily substitute some other basis of compensation for that prescribed by law. Thus, it is only by disregard of the present law that anything like a satisfactory system of accident indemnity has been developed.

Almost, if not quite, as serious as the wastes which result from our system is the demoralizing influence which it has on both employers and employees. To take advantage of the law, an injured workman is forced to put himself in a position of hostility to the employer. On his side, the employer is compelled usually to protect himself by recourse to an insurance company. It is so important that he make no sign that would imply a sense of responsibility on his part for the occurrence of the accident, that his contract with the insurance company usually prevents him from obeying the impulses of ordinary humanity by doing what he can for his injured employee during the weeks immediately following the accident. So revolting is the resulting situation to the sense of fairness of some

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employers, that they not only pay premiums to insurance companies to protect themselves against suits for damages, but they voluntarily pay compensation to their workmen besides. Under these circumstances, the system penalizes the fair-minded employer and puts him at a disadvantage in competition with the employer who does only what the law requires.

Antagonizing employer and employee is only one of the many bad moral effects of the system. The opportunities for litigation it affords have given rise to the pernicious activity of the ambulance-chasing lawyer, on the one side, and the equally objectionable practices of the claim agent on the other. Retainers and releases signed under duress, protracted litigation for contingent fees, perjured testimony on both sides, a straining of the law on the part of judges to keep accident cases from notoriously partial juries, variable and extravagant awards by these juries, — these and other evils are the incidental results of a system that shocks the moral sense of the community and fails signally to remedy the social problem with which it is concerned.

That our system of employers' liability is unsatisfactory in its practical operation, nearly all

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those who have anything to do with it agree. There is less unanimity as to the changes that should be made in it. Up to the present time, the whole tendency of American legislation in this field has been to broaden the scope of the employer's liability by taking away some of the defenses which now bar recovery. This was the purpose of the Barnes Act of 1906 in New York state, which largely abrogates the fellow-servant principle in the case of railroad employees. The federal employers' liability law of 1908, applying to interstate railroads, goes even farther in this direction. It not only abrogates entirely the fellow-servant doctrine, but also modifies the "assumption of risk" principle and makes "contributory negligence" a ground merely for reducing damages, not for denying them altogether. The trouble with this tendency is that, carried to its extreme conclusion, it would still leave the majority of industrial accidents unprovided for. Moreover, it discourages but little a resort to litigation, and fails to do away with the incidental evils which result from the present law.

Other countries, as already stated, have very generally pursued a different policy. In 1884, Germany substituted for employers' liability com-

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pulsory insurance, under which workmen are entitled to indemnity, whatever the cause of the accident. Germany's example was followed three years later by Austria. "In 1894, Norway passed an act requiring employers to insure their employees against accidents in a state insurance department."¹ Even more significant for the United States was the enactment by the British Parliament in 1897 of the first workmen's compensation law. Under it employers in certain enumerated dangerous industries were required to pay compensation for industrial accidents, except when due to the serious and willful misconduct of the injured workman himself, irrespective of the cause of the injury. Other countries were quick to adopt the new policy. "France and Denmark passed workmen's compensation acts in 1898. In 1900, Spain and South Australia passed compensation acts on the English model. In 1901, Sweden passed a compensation law permitting insurance through a state department to be substituted for the legal liability; the Nether-

¹ The quoted sentences in this and the following paragraphs were written by the author but have already appeared in print in the First Report of the (New York) Commission on Employers' Liability and Unemployment presented to the Legislature, March 19, 1910.

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lands, a law requiring insurance through a state department; and Greece, a workmen's compensation law applying to the mining and metallurgical industries. The next year Luxemburg adopted the German compulsory insurance system, while British Columbia adopted the English plan of workmen's compensation. In 1903, Belgium introduced the English system, and Italy made insurance against industrial accidents compulsory. Since that year, four constituents of the British Empire — Cape Colony (1905), Queensland (1905), Quebec (1908), and New Zealand (1908) — and Russia (1908) have passed workmen's compensation acts after the English model, and Hungary (1907) has declared its preference for the German system of compulsory insurance."

Thus, during the last twenty-six years, twenty countries — including all of the important industrial states of Europe except Switzerland, which is about to pass a compulsory insurance law — have abandoned the policy of limiting the right of an injured workman to secure compensation from his employer for an industrial accident to cases in which the employer has been negligent. "In its place they have adopted the policy of requiring em-

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ployers to indemnify all workmen who are injured in their service, and who have not willfully brought the injury upon themselves, irrespective of the cause of the injury. In other words, they have accepted the principle that each industry should be made to bear the burden of its personal accident losses in the same way that it already bears the burden of accidental losses to plant and machinery. The employer is selected to act as the agent of society in adding the cost of workmen's compensation for industrial accidents to the other costs of production, because this is the simplest and most direct way of accomplishing the desired result. It is assumed that he will be reimbursed for this expense, as for his other expenses of production, in the prices he receives for his products. And experience appears to have abundantly justified this assumption. Though opposed originally by employers as unduly burdensome, the new policies are now accepted by them as fair and reasonable. No country that has made the change has rescinded from it. All the more important countries, and particularly Germany and the United Kingdom, have greatly extended the scope of their accident indemnity laws since they were first introduced."

Though the usual policy of these twenty coun-

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tries is to impose the entire burden of meeting the accident indemnities which the law prescribes upon the employer, there are certain exceptions. Germany, for example, provides indemnity for the first thirteen weeks of incapacity due to industrial accidents from her sick-insurance funds, to which employees contribute two thirds and employers only one third. Only after thirteen weeks, or when the accident results fatally, does the indemnity come from the accident insurance funds contributed entirely by employers. As an offset to the contribution to accident indemnities from employees, however, the German law prescribes a higher scale of compensation than is found where the whole burden falls on the employer. Thus, the usual weekly allowance during total disability under the German law is two-thirds wages, while whole wages may be claimed in case the injured workman requires special attendance. One-half wages is customary in other countries. This exception, considering also that German employers have added burdens in connection with illness insurance and old age and invalidity pensions, is, therefore, not very important.

As to the methods that are adopted for compelling employers to indemnify the victims of in-

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dustrial accidents, three different systems must be distinguished.

“Germany’s system is that of compulsory insurance through accident insurance associations for the different industries carried on in the Empire, to one of which every employer must belong. Under the supervision of the Imperial Insurance Department these associations fix premium rates according to the hazard of different occupations. They have power to penalize the employer whose accident ratio is above the average by advancing his rates. They may prescribe the safety devices which their members are to use, and, through inspectors, they are constantly occupied in trying to prevent accidents. They are not required to charge premiums high enough to meet future obligations, however, and consequently, as the number of victims of past accidents still receiving indemnities increases, their rates mount higher and higher. This is very unfair to employers who are just starting out in business, and more than generous to employers who, after having saddled the association with a large number of pensionaires, wind up their enterprises and retire. Until some remedy for this unequal distribution of the burden has been devised, Germany’s system, admirable as it is in

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many of its features, must be acknowledged to be imperfect.

“Modeled after the German system — though different in important details — are the systems of Austria, Luxemburg, Italy, and Hungary.

“Different from the German system, though sometimes confused with it, is the system of compulsory state insurance against industrial accidents. Under this plan, adopted by Norway and the Netherlands, the employer must insure his employees through a state insurance department which fixes the premiums and pays the indemnities prescribed by law to those who are entitled to them. This system has the great advantage of insuring considerate treatment to the victims of industrial accidents. The state department is not in business for profit and is under no temptation to evade its obligations. On the other hand, the system is open to the objections usually urged against state as contrasted with private activity. There is danger that the premiums will not be made high enough and that the department, like the post office, will be run at a loss. This has already been the case in Norway.

“Modifications of the compulsory state insurance plan are presented by Sweden and Denmark. In

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Sweden, insurance is not compulsory, but a state insurance department is provided to relieve the employer who wishes to insure his employees through it from all further liability. This is a compromise arrangement which is said to have worked so well in that country that the state department is driving all competitors from the field. In Denmark there is no insurance department, but a workmen's insurance council is provided to which all accidents must be reported, and which fixes the indemnities which the employer, or his agent, the insurance company, must pay.

“Differing only in degree from the Danish system is the English system of workmen's compensation. Under it the law prescribes clearly the obligation of the employer to pay compensation, the amount of compensation he shall pay, — depending upon the seriousness of the injury, the degree of dependency of those left behind when the accident results fatally, etc., — and the procedure by which the compensation appropriate to each particular case shall be determined. It does not undertake to say how the employer shall meet this obligation. He may insure against it if he desires, and in that case, under the English law, recovery may be had from the insurance company up to the extent of its

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contractual obligation in case the employer becomes insolvent. If he does not insure, the interests of employees are partially safeguarded by a provision in the English law making them preferred creditors up to £100. The French law goes further by imposing a special tax on employers liable to pay compensation, and using the proceeds to indemnify the victims of accidents in those cases where the employer becomes insolvent after the accident occurs.

“The great merit of this third system — a merit which has commended it to more than half of the countries which have discarded the law of negligence as a basis for settling accident cases — is that it involves a minimum of compulsion on the employer and little or no new governmental machinery for its enforcement. Under the old liability law the employer had to indemnify injured employees in certain cases. A workmen’s compensation act merely extends this obligation to include practically all cases. Under the old liability law the amount of indemnity had to be determined by a lawsuit. A compensation act prescribes the amount of the indemnity, and thus makes possible the substitution of some simple arbitration machinery for the more complicated

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and expensive method afforded by a jury trial. Finally, the state introducing the system of workmen's compensation is under no necessity of going into the insurance business, or even of altering its previous policy with reference to insurance companies. These merits appeal particularly to countries in which employers greatly prefer to be left free to meet the obligations which the law imposes upon them in the ways that seem to them best and in which industrial activities on the part of the government are little favored by public opinion. This description applies generally to English-speaking countries. All of these countries that have modified their accident-indemnity laws up to the present time have chosen the workmen's compensation system in preference to the system of compulsory insurance. Compulsory, state-directed insurance, on the other hand, seems better suited to the conditions of countries with strong central governments and accustomed to widely extended state activities. Germany, Austria-Hungary, Sweden, Norway, and Italy are countries of this type."

In view of these considerations, it seems probable that the English system of workmen's compensation is better suited to the spirit of American

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institutions and the habits of American business men than any of the continental systems of compulsory insurance. But the adoption of any system in the United States is fraught with grave difficulties. Under our form of government any change in this field must be through state legislation, except as regards the territories and the comparatively few persons engaged in interstate commerce. The obstacles to state action are both legal and economic. Our written constitutions go so far in protecting the liberty and property of employers that there is grave doubt whether a law requiring them to pay even moderate compensation for accidents not due to their own negligence would be upheld by the courts.

The New York Commission on Employers' Liability and Unemployment, created in 1909, gave much thought to this matter. In the preliminary report which it submitted to the legislature in March, 1910, it proposes to meet the constitutional difficulty by prescribing a system of workmen's compensation for specially hazardous industries, as a part of the policy of regulating these industries under the police power. For other industries it hopes to secure the adoption of the system of workmen's compensation by permitting employers

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and employees by voluntary agreement to substitute it for the requirements of the employers' liability law, amended so as to weaken some of the present defenses of the employers.

The economic obstacle arises from the fact that a change in the policy of one state as regards this important matter, however desirable in itself, may have the effect of putting employers in that state at a disadvantage with their competitors in neighboring states. In my opinion, this difficulty, which arises in connection with all progressive legislation, is greatly exaggerated by those who urge it. On this point, European experience throws an interesting light. This experience clearly justifies the hope that the higher cost of a reasonable system of workmen's compensation will be more than counterbalanced by the advantages of the system to the employer in better relations with his employees, a higher grade of employees, and greater immunity from costly and uncertain damage suits. The adoption by Germany of her elaborate system of compulsory workmen's insurance was coincident with the beginning of a period of industrial expansion that has brought her to the front rank among the commercial nations of the world. For twenty years Austria has burdened her employers

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with a compulsory insurance system, which Hungary, part of the same empire, has only just adopted. All students agree that Austrian manufacturers have fully held their own in competition with Hungarian manufacturers during this period.

Finally, the United Kingdom, which suffered a setback in consequence of the Boer War shortly after her system of workmen's compensation was introduced, has enjoyed a period of great prosperity and trade expansion since that system was extended to embrace practically all employees in 1906.

Competition among European countries in common markets is quite as keen as competition among the different states in the American market. The new system of caring for the victims of industrial accidents has been introduced not by the less progressive and prosperous countries, but by the more progressive and prosperous, and there is quite as much evidence to show that their prosperity has been enhanced by the change as the reverse. Here, as in other connections, a policy which advances the relations between employer and employee to a higher plane, and makes for more friendly relations between them, appears to

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redound in the long run to the advantage of both.

It is very clear that a better policy of caring for the victims of industrial accidents will never be introduced in the United States unless some state takes the lead. Moreover, there is every reason to think that the example of the state that acts as pioneer in this field will be promptly followed by the other states, just as the examples set by Germany and England have been quickly followed by the other European countries. All agree that there is a serious social evil to be remedied. The experience of other countries proves that the system of workmen's compensation is practicable, and that it greatly reduces poverty and dependency wherever it is introduced. Under these circumstances, is it too much to hope that one of the states that now has a commission investigating this subject will, at no distant date, set an example in this important field of social legislation for the whole country to imitate ? ¹

The countries which have taken the lead in protecting their wage earners from the losses due to industrial accidents, Germany and the United

¹ These states are New York, Minnesota, Wisconsin, and Illinois.

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Kingdom, have also grappled with the grave social problem presented by illness. Even before organizing machinery for compulsory insurance against accidents, Germany made insurance against illness compulsory. Under the present law, all employers and all wage earners in the Empire are required to make contributions to illness insurance funds. Employers contribute one third and employees two thirds toward the premiums which experience has proved to be necessary for this purpose. Out of the illness insurance funds necessary medical and hospital treatment is provided for all wage earners who fall ill, and regular allowances proportioned to wages are paid so long as the incapacity to earn wages continues. In the event of death, burial expenses are paid, and changes in the law now under consideration will soon provide pensions for widows and orphans.

England has attacked the problem in a different way. The amended workmen's compensation act, passed in 1906 by the government that has just been returned to power, provides that in future employers shall be required to compensate the victims of occupational diseases in the same way that they compensate the victims of accidents. This is a perfectly logical development of the com-

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pensation principle, but there are obvious difficulties in determining what diseases are due to occupations and which of several employers over a term of years should be held responsible for them. Moreover, the English system, even if developed to the extreme of considering tuberculosis, for example, as an occupational disease of dust-producing trades, will leave a large number of illnesses unprovided for. For non-occupational diseases England still relies on voluntary sick-insurance associations and trade-union benefits.

In the United States we are still so far from considering illness as anything beyond a private misfortune against which each individual and each family should protect itself, as best it may, that Germany's heroic method of attacking it as a national evil through governmental machinery seems to us to belong almost to another planet. It is for this reason that I shall content myself with outlining the social policy that appears to me to be called for by this problem. Its realization must, in the nature of the case, be gradual, and before it is realized new knowledge may be available which will make some other policy appear preferable.

Illness, like other evils, to which all are exposed

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but which many escape, should be provided against by some method of insurance.

In the case of clearly defined occupational diseases the cost of this insurance may properly be imposed on the employer, who may be relied upon to add it to his expenses of production and pass it on in higher prices to consumers, who should pay it along with the other expenses necessary to the gratification of their wants.

Every encouragement should be given to trade unions and other voluntary associations of wage earners to provide sick-insurance to their members, and such fraternal insurance should be as carefully supervised by the state in the interest of policy holders as are commercial insurance companies.

Experience indicates that voluntary insurance will not be paid for by those who need it most. No complete solution of this problem can be attained without making insurance against illness obligatory in some such way as Germany and several other European countries have done. Our efforts should be directed toward educating public opinion to form clear conceptions of what the common welfare requires in this as in other fields, and toward breaking down the prejudice

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which now opposes community action where community action is so obviously desirable.

In advocating workmen's compensation for industrial accidents and obligatory illness insurance, I have said nothing as yet about the reaction of these policies on accident and illness prevention. It is here that we have one of the strongest arguments in their favor. Accidents and illness are largely preventable. Requiring employers to compensate the victims of all accidents inspires them with a zeal for accident prevention that they can hardly be expected to display under our system of employers' liability. In a similar way, requiring all persons who may be well to contribute to funds for the relief of those who are ill gives every one a new interest in the problem of national health. Our life insurance companies are already doing much to keep down the death rate. If we were all under the necessity of insuring ourselves against illness as well as death, it will be appreciated what a lively interest we should develop in the health of our neighbors. Every forward step in the campaign for national health would be reflected in a fall in the insurance premiums which we were required to pay. This would be an item in the cost of living, and the same

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enthusiasm could be aroused over efforts to get pure water, pure milk, and pure air for all the people that rallied to the support of the demand for eighty-cent gas in New York City a few years ago, or that is now spending itself in a nation-wide meat strike.

CHAPTER IV

UNEMPLOYMENT: CAUSES AND REMEDIES

OF all the evils that befall the capable and industrious wage earner, none seems so cruel and unjust as unemployment. To be willing and anxious to work, and to be unable to find remunerative work to do, is in itself a hardship. To have a family dependent on one's earnings, and young children actually in need of food, makes this hardship a bitter wrong. More good men have been transformed into embittered advocates of social revolution by unemployment than by any other single cause.

In the jargon of economics, unemployment signifies an oversupply of, or, what is the same thing, an underdemand for, labor. The time was, no doubt, when it was possible to believe that this oversupply could not affect really efficient and industrious workmen. The statement,

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“any capable man who really wants work can always find it,” is even still sometimes heard. No doubt at one time in this country it was substantially true. To continue to believe it now, however, is to betray one’s ignorance of the industrial conditions that surround us. Not only during periods of depression, like that this country has recently passed through, is there an oversupply of labor, but in a period of active prosperity like the present there is an oversupply of some kinds of labor, and workmen fitted to do certain forms of work cannot find remunerative employment. And this situation is not relieved by the fact that skilled workers may turn to less skilled or unskilled occupations. In the end this merely serves to swell the ranks of the unskilled casual laborers, and of this class it is no exaggeration to say that there is always an oversupply.

During the winter it is necessary from time to time to employ thousands of men in removing snow from the streets of New York. It is interesting to consider what these thousands of men, who, even in periods of unusual industrial activity, are available for this quite temporary service, do between times. Those familiar with

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their situation know that their whole lives are made up of just such temporary employments. They have no permanent or settled occupation. In the winter they come to New York because there is nothing for them to do in the country; in the summer most of them go to the country and find employment in various manual occupations, — but always temporary and always changing.

In saying that there is always an oversupply of casual labor, I do not mean to dispute the economic principle that the wants of wage earners themselves create, in a roundabout way, a demand for their labor. In general, it is undoubtedly true that the requirements of every stomach call for the labor of the accompanying pair of hands. The trouble is that, as industry is now organized, there are a large number of occupations which require labor intermittently because the volume of production called for is highly irregular. Snow removal from city streets is only an extreme illustration of a type of occupation that is unfortunately common. Similarly irregular is the demand for stevedores to load and unload the vessels whose coming and going contribute so largely to the industrial importance of

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New York. In New York, vessels come and go the year around. Along the Great Lakes and the canals which connect them with the seaboard, the occupation of the stevedore or longshoreman is confined to a period of seven or eight months. The irregularity of agricultural employment is equally striking. The winter's dullness is succeeded in the spring by active preparations for the summer's crops. This activity abates somewhat during the summer, but only to be succeeded by more feverish industry in the autumn, when the various products must be harvested and harvested promptly, if the fruits of the year's industry are to be fully enjoyed. Returning to city industries, the clothing trades, as is well known, are subject to great irregularity. The shirt-waist makers' strike in 1910 brought out in a forcible way this aspect of that one industry. Both employers and employees agreed that overtime during the rush season from January to June and extreme dullness from June to September were the worst features of the shirt-waist makers' lot. And in these characteristics the shirt-waist industry is typical of the garment and clothing trades generally. The building trades present a similar irregularity, — great activity in spring,

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summer, and autumn, and comparative dullness during the cold winter months.¹

This irregularity of industry is reflected in the statistics published by the Department of Labor in regard to the percentage of members of trade unions that are unemployed in New York State in different months in the year. In the building and stone-working trades, the percentage of unemployment ranges from 35 per cent in January, when building operations are most interfered with, to only 10 per cent in September. The clothing and textile industries show almost as great a range of variation. In a few trades, on the other hand, steady work for all competent hands is the rule. Among the printers, less than three more men in every hundred are unemployed in June, the dull month, than in March, the month of greatest activity. The stationary engineers show almost no variation in employment from season to season, the proportion running along between 2 and 3 per cent continuously.

Combining the trade-union figures, it appears that for the 100,000 odd members to which they

¹ In London, where the winters are, of course, less severe than in New York, recent investigations seem to show that the building trades should no longer be characterized as seasonal employments.

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refer there is a variation in the extent of unemployment from 15 per cent in midwinter to not over 5 per cent in the autumn months. During the depression in 1907 and 1908, the proportion of unemployment increased to over 35 per cent in January, February, and March, 1908, and was at no time less than 20 per cent from November, 1907, to April, 1909.¹

The variable requirements of industry as now organized are shown similarly by the manufacturing census. The figures for New York State, for 1900 and 1905, indicate that only 90 per cent of the number of persons employed in manufacturing industries in October, the month of greatest activity, were employed in January. In 1905, this meant a variation of over 85,000 in the number of persons employed at the two periods.

It is this irregularity in the requirements of industry from month to month that is the chief cause of unemployment. From it results the necessity under which so many wage earners find themselves, either of being idle or of seeking employment in some different occupation from that to which they have been accustomed. In conse-

¹ These statistics and some of the others quoted are extracted from an unpublished report by Mr. William M. Leiserson.

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quence of it, there are reserve forces of labor in connection with every irregular industry which, in the aggregate, constitute a considerable army of unemployed men and women, even in years of active trade.

How these reserve forces of labor are kept in existence may be illustrated by reference to the situation in connection with the London docks, — a situation not very different, I am informed, from that presented by the current method of employing longshoremen in New York. Until recently, the custom of hiring dockers in London was to pick out from the surging crowd of candidates for employment that presented itself every morning the number that happened to be needed during the day. An investigation showed that the aggregate demand of the wharves in a particular section of the city, adding together the maximum number needed on any day of the year at each wharf, called for more than 21,000 men. As a matter of fact, in the year investigated, the wharves never employed on any single day as many as 18,000 men; the average was about 15,000, and on the slackest day the number needed was only 10,000. In order to insure, however, an adequate labor supply, the dock managers constantly varied

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the men employed. Considerably more than the 21,000 men who might have been required, had the days of greatest activity at all the wharves coincided, were led to depend on the chance of getting work at the docks for a livelihood. At best, less than three fourths of these men could be employed on the average, and at times the work was insufficient to occupy as many as one half of them.

Applying the same method of estimating the extent of the variation in the demands of manufacturing industries to the census figures of 1905 for New York State, we find that the difference between the maximum requirements of all manufacturing industries and their minimum requirements was not less than 300,000. This does not mean, of course, that of the 900,000 odd persons employed in manufacturing at the height of the busy season one third were idle at the dull season. It does mean, however, that to satisfy the requirements of our manufacturing industries at least 300,000 persons were either unemployed or forced to change from one employment to another during the year.

Every irregular demand for labor which secures its labor supply by requiring those who are in search of work to present themselves from time to time

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on the chance of securing it — and this is the usual method of recruiting labor in New York City — tends to keep in existence a reserve supply of labor, all of which can never be employed. How large this reserve army of the unemployed and irregularly employed is in this state, there is no means of knowing. That it is very large, however, and that in this characteristic of modern industry we have the explanation of the growing seriousness of the problem of unemployment, all students of the question agree.

The foregoing analysis of the industrial causes of unemployment suggests that the first step toward the solution of the problem is a better organization and correlation of our industries. This better organization must have two ends in view: (1) to reduce, as much as possible, the present variations in the demand for labor by particular industries; (2) to make these irregular demands dovetail into each other so that the surplus labor of one industry will serve as the reserve labor force of some other. The first change can only be brought about by the combined efforts of consumers, employers, and employees. The second calls for a thoroughgoing organization of the country's labor

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market that will be as effective in distributing the available labor force where it is most needed as our banks are in distributing capital where it is most required. Each one of these needs merits fuller consideration.

It is not too much to say that the present industrial organization of the United States is wasteful, unintelligent, and even chaotic. Consumers, as a rule, give little thought to the interests of producers in making their purchases. At certain seasons of the year new wants are felt, and we all flock to the stores to have these wants gratified. The disastrous results for storekeepers and those they employ at that season of the year, Christmas, when consideration for others should be at a maximum in a Christian community, has been forcibly brought to our attention through the efforts of the Consumer's League. But admonitions to "shop early" are not needed only at Christmas time. They should be equally heeded in the autumn in connection with the purchase of winter clothes, and in the spring in relation to the acquisition of Easter bonnets. For behind the health-destroying pressure that none of us can overlook as we do our Christmas shopping is a corresponding pressure on those who turn out products for which there is a seasonal

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demand. It is probably too much to expect that many consumers can be influenced to change their shopping habits, but every new recruit helps a little to substitute regularity and order for irregularity and chaos. Every man, and even more, every woman — for women are the chief offenders in this department — who stands out for simplicity in dress and independence of the vagaries of fashion contributes something toward a better industrial organization.

The contribution that employers can make toward the steadying of our industries is obvious. By deciding earlier what and how much they will produce, by combining processes so that the labor force not needed in one in the slack season can be turned into the other, — as is the case with the coal and ice dealer, — and by resisting the temptation to crowd work by requiring overtime, they can do much to make production regular and continuous through the year, instead of, as at present in so many industries, feverishly active at certain seasons and almost stagnant at others.

Most of all is to be expected from the intelligent coöperation of employees. They are the ones who suffer most through the irregularities of industry. By standing together to insist on no overtime or

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high pay for overtime, as in the shirt-waist makers' strike or in the Bethlehem Steel Company's machinists' strike in 1910, they can force employers to plan production with more regard to the social interests at stake, and the changes that they can bring about will, in the long run, be as advantageous to employers and to the public as to themselves. Intelligent public opinion should back them up in such demands, and where it is impossible to mitigate the evils of excessive overtime by coöperative effort, intelligent legislation should be called in to insist that the health and vitality of the nation's workers are more important than cheap goods or the execution of orders in record breaking time.

Though much may be done toward steadying production through the combined efforts of consumers, employers, and employees, the variations of seasons and other causes will continue to make some industries irregular. To reduce to a minimum the unemployment that results from these irregularities, we must organize the labor market. As regards capital and the staples on which the world depends for the gratification of its wants, the organization of markets has been carried to a high degree of efficiency. Only the first timid

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steps have been taken toward the organization of the labor market. No one fact so clearly reveals the defects in the present situation as that the employer who wants more hands usually resorts to the method of inserting a sign in his window or an advertisement in the newspaper. In nearly every other department of modern economic life the seller displays his wares and the buyer comes after them. As regards labor, the common practice in the United States is for the buyer to announce his needs and to throw upon the seller, the workman, all the trouble and expense and loss of time and earnings necessary to respond to these needs. From this point of view, the familiar sign, "Boy wanted," goes to the heart of the problem of unemployment.

It is not necessary for me to enlarge in this book upon the need for a series of coöperating labor bureaus or labor exchanges, to bring about a better distribution of labor force in the United States. This was one of the principal contentions of Dr. Devine in discussing the problem of the man "Out of Work," in the Kennedy Lectures for 1909, published in this same series, and I can add little to his argument.¹ Largely as a result of his study of

¹ Misery and Its Causes, Chap. III.

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the problem, the National Employment Exchange was incorporated in this city a year ago, and that exchange now has a department for mercantile labor in addition to the department for manual labor originally opened. A similar and older labor exchange for women and girls is the Alliance Employment Bureau. Both of these exchanges are doing valuable and useful work, but those who direct them would be the first to admit that they have as yet touched only one small corner of the field that lies before them. To accomplish the principal object for which public or philanthropic labor exchanges exist, that is, to connect men and women who are out of employment quickly, and with a minimum of expense to themselves, with the employers who most need and will pay best for their services, it is absolutely necessary that such exchanges should have a comprehensive grasp of the situation. What we must aim at as our goal in connection with organizing the labor market is what Germany has already accomplished by her chain of connected and co-operating labor bureaus throughout the Empire.¹

¹ The most interesting of the German Employment Bureaus is the so-called Central Labor Bureau (*Central Arbeitsnachweis*) in Berlin. This was started some twenty-five years ago

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After prolonged study of the question, all parties in the United Kingdom have come to this conclusion. During February, 1910, 100 public labor exchanges were opened in different parts of Great Britain, and before August 1, 1910, the government is pledged to open 150 more. These are to keep card registries of all applicants for work, to be in constant communication with one another, so that each shall have daily information in regard to the state of the labor market in every part of the Kingdom, and to

by a private association. The value of its work was soon appreciated by public authorities, and since 1902 it has occupied a specially erected series of buildings of its own in Gormannstrasse, and receives an annual subsidy of \$7500 from the municipality. The following description is taken from Dawson's *The German Workman* (pp. 9-10): "There are two separate buildings — one for unskilled work people, the other for female employees and the trade guilds which are affiliated to the bureau. To the former building belong, besides the formal registration offices and residential quarters for the attendants, a large assembly hall, to which work seekers are able to resort during the day, with galleries which alone seat 1400 persons, a reading room supplied with books and newspapers, a canteen, workrooms for tailors and shoemakers, in which repairs are made at the all-round charge of just over a penny, a miniature hospital, with a series of bathrooms below in which hot, cold, and shower baths can be had at all hours of the day for a halfpenny.

"In the large assembly hall, the vacant situations are called out at fixed intervals in the hearing of the assembled work

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coöperate in transporting workers promptly from places where they are not needed to places where they are needed. One of the first benefits that the government expects to derive from these exchanges is accurate knowledge in regard to the extent and causes of unemployment. For it is a remarkable fact that, notwithstanding the great amount of attention that has been given to the problem in England during the last ten years, this information is still lacking. The English Poor Law Commission, which was directed to investigate unemployment along with other aspects of poverty, was forced to admit in its recently published report that: "We have found ourselves unable to answer two elementary questions. There are no statistics

seekers, and from the number of those who offer themselves the director chooses the most suitable, though, other things equal, he gives the preference to married men or men who have waited longest for work. At the canteen nutritious food is served in return for coupons issued by the guild registries as well as for direct payment. Over 100,000 portions of food are sold during the year. There are separate departments for workmen over sixteen years and for juveniles, so that contact between the two is unnecessary. The accommodation for female work seekers and for the trade guilds is in its way no less complete. For the former a large room, capable of holding 375 persons comfortably, and having its own entrance from the outside, is set apart, while to each of the guilds a separate set of rooms is allotted — offices, waiting-rooms, etc. — with a canteen for common use."

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available which enable us to compute, even within hundreds of thousands, how many persons are at any one time simultaneously in distress from unemployment; or whether this number is or is not greater, relatively or absolutely, than the corresponding numbers for other countries, or for our own country at previous times.”¹ This same difficulty of getting at the facts has been encountered, it is hardly necessary to state, by the New York Commission on Employers’ Liability and Unemployment.

Whether in this country we shall be able to organize the needed chain of coöperating employment bureaus, to act as an efficient clearing house for labor, through private philanthropy, it is perhaps too early to predict. Our experience with public bureaus, particularly in this state, has not been calculated to prejudice us in their favor. On the other hand, the task to be accomplished is so big that it is difficult to believe that philanthropic effort can do more than point the way and educate opinion as to the methods to be employed, until the state is prepared to grapple with it on an adequate scale and with clear appreciation of the great public purpose to be accomplished.

¹ Report of the Royal Commission on the Poor Laws and Relief of Distress, 1909.

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When such labor exchanges are established, and become, as have the German exchanges, the generally accepted link of communication between employers and employees, the following advantages may confidently be expected from them:—

(1) Wage earners will be spared the costly and disheartening search for work which now bears so heavily upon them whenever they are forced to change their employment.

(2) The reserve force of irregularly employed labor which results from the present organization of industry will be greatly reduced, if not entirely eliminated.

(3) Employers will be assisted to secure just the quality of labor which they require, and relieved of the necessity of taking on new men on the basis, solely, of their own representations and “trying them out,” often only to discharge them at the end of the first day or the first week.

(4) An enumeration and classification of the unemployed will be made. At least three types are now commonly encountered in any group of the unemployed: (*a*) competent and industrious men, temporarily out of work; (*b*) inefficient workers, who are usually unemployed during dull seasons; (*c*) the class which, for physical or moral reasons,

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is incapable of doing steady work. To have these types distinguished, and the number in the last class — the unemployables — determined, will be a great gain.

(5) The presence of such labor exchanges will serve to put a stop to the demoralizing methods of caring for the unemployed now practiced. The street vagrant could no longer plausibly plead inability to find work. Relief works of various kinds, which are now nibbling away at this or that corner of the problem of unemployment, if still regarded as desirable, could be coördinated and put in a position to offer work to the *bona fide* unemployed certified to them by the labor exchanges.

Important as are labor exchanges, it would be visionary to regard their organization as more than a step toward the solution of the problem of unemployment. They may reduce the problem to its lowest terms and supply the information needed to guide subsequent steps. Beyond this they cannot go.

Even before we are provided with an adequate system of labor exchanges, we must seriously consider other measures that may be taken to miti-

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gate the present situation. A complicating circumstance that opposes all efforts to help the *bona fide* unemployed is the presence in the community of tramps and vagrants. Sympathy for this unfortunate type of humanity should not blind us to the fact that, socially, their unwillingness to engage in any form of honest labor is a crime that must be dealt with in a way that will prove repressive as well as corrective. For the second time there has been introduced in the legislature in Albany this winter a bill providing a state industrial and farm colony for vagrants, to which they may be sent on indeterminate sentences to be trained out of their bad habits, in the same way that we try through our industrial schools to reclaim youthful criminals. This bill embodies the matured views of those who have given most attention to the problem of vagrancy in this state. So far as I know, the opposition to it last winter was based either on misunderstanding or indifference. If it becomes a law, we have every reason to anticipate that it will lead to the gradual weeding out of the tramp type from the miscellaneous horde that now confronts us whenever we think of the unemployed. This has been the result of similar policies abroad, and there seems nothing in our American

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situation that would stand in the way of a similar accomplishment here. It will do this in part by making a life of vagrancy a thoroughly undesirable one. The certainty of arrest and commitment to an industrial colony would deter many young men who are now attracted by the tramp's seemingly care-free existence from ever entering upon it. Those who were not deterred from the attempt to live without work, by such a policy, would in due course be sent to the farm colony, and there get the benefit of training in habits of industry. In Denmark they have developed a system of graded farm and industrial colonies. The residents are paid for their work, and at an increasing rate as they gain in efficiency. So soon as they prove themselves capable of self-support and seem disposed to give up the vagrant life, they are allowed to go out in search of work. They are only discharged finally when they actually secure employment. If they justify the confidence imposed in them, they have a good chance to get on. If they fall by the way, and are recommitted to the industrial colony, they must begin again at the bottom and again work out their salvation. Under this plan it is said that not only are there no tramps at large in Denmark, but that of those who attempt to live

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without work and are sent to the colonies a gratifyingly large number are won back to habits of self-respect and self-support. It will be a happy day when the same can be said of New York and the other states of the Union!

To legislate vagrants into suitable detention colonies appears to me to be a wise step, but it is equally important to correct, so far as we may, the conditions that create vagrants. We must all agree that the chief of these conditions is the absence of suitable industrial training for boys and girls. The members of the English Poor Law Commission may never have heard the aphorism that "the prematurely employed child is the father of the man without a job," but they offer abundant evidence in proof of this paternity. Their report declares that: "In large towns, boys, owing to carelessness or selfishness on the part of parents, or their own want of knowledge and forethought, — for the parents often have very little voice in the matter, — plunge haphazard, immediately on leaving school, into occupations in which there is no future. . . . According to the main statistical sources of information available, the very serious fact emerges that between 70 per cent and 80 per cent of boys leaving elementary schools enter un-

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skilled occupations. . . . The problem owes its rise, in the main, to the enormous growth of cities as distributive centers, — chiefly and most disastrously, London, — giving innumerable openings for errand boys, milk boys, office and shop boys, bookstore boys, van, lury, and trace boys, street sellers, etc. In nearly all of these occupations the training received leads to nothing, and the occupations themselves are in most cases destructive to healthy development, owing to long hours, long periods of standing, walking, or mere waiting, and morally are wholly demoralizing.” That a similar tendency prevails in New York City is evident to any one who has studied the occupations to which boys and girls are attracted as soon as they take out their working papers. Thinking only of the wages they can earn, and choosing such *cul de sac* employments as the English Commission enumerates, a large proportion of them never become skilled workers, and drift, as they grow older, into the unskilled casual employments on which the irregularity of modern industry presses most heavily. In the last chapter I shall return to the question of industrial education, but I think it will be admitted without argument that an important rôle must be assigned to it in trying to

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correct the conditions that lie behind the problem of unemployment.

In nearly all discussions of unemployment the phenomenon is treated as an unmixed evil. It may be well at this point to ask ourselves why the man who loses, on the average, five or even ten per cent of his working time in the course of a year should be considered an object of pity. For wage earners, the only way to secure a holiday, as a rule, except the few holidays prescribed by law or custom in this busy country, is to join the ranks of the unemployed. Salaried persons are usually entitled to at least two weeks' vacation on full pay. Some salaried persons, like school-teachers and college professors, enjoy two or three months' vacation on full pay, and regard it as the most valuable part of their compensation. If the only way in which the wage earner can get a holiday for three or four weeks is to be unemployed for that period, why look upon unemployment as an evil? The answer to this question is obvious, but its very obviousness serves to emphasize the difficulties under which the wage earner labors. Unemployment is an evil for him partly because he can't afford to take a holiday, but even more because his

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holiday is embittered by anxiety in reference to his next job. So true is this last statement that it is not unusual for wage earners to work harder when they are nominally unemployed, looking for work, than they will be required to work when the coveted jobs are found.

This situation is radically altered in organized trades like the building trades, in which the period of unemployment comes at a regular season every year, and in which high wages and unemployed benefits from the union make the dull season a welcome respite. This suggests another solution of the unemployed problem to which much attention is being given in Europe; that is, insurance against unemployment. In industries in which the usual percentage of unemployment is low and in which labor is organized, mutual insurance against unemployment through trade-union unemployment benefits has long been successfully practiced in Great Britain. In 1904, according to a report of the Board of Trade, 81 of the 100 principal unions of the country, representing 84 per cent of the membership of these unions, paid out in unemployed benefits over \$3,000,000, or nearly one third of the total of \$10,000,000 expended by the unions in that year. That this form of benefit is approved

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by trade-union sentiment is shown by the fact that, according to the Poor Law Commission, the membership of unions paying such benefits is growing more rapidly than that of unions not paying them.

On the Continent, various methods of insurance against unemployment have been tried. On the whole, it appears to be the case that trade unions have been the only bodies which have been able to administer such insurance successfully. The fatal defect in other than trade-union systems of insurance has been that it has proved impossible to limit the benefits to persons who are involuntarily idle. Where municipalities have tried to administer such insurance requiring supplementary contributions from the insured, it has been found that the insured were regularly unemployed at least long enough to get back their contributions to the common fund. Trade-union insurance is successful because the members are less apt to deal unfairly with one another, and because the union is itself a sort of employment bureau, and can apply the labor test to members who are suspected of making a business of being unemployed. Belief that this function can only be successfully performed by trade unions has led to the introduction of the plan, first tried by the town of Ghent, under which the municipality sup-

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plements the unemployed benefits paid by trade unions, which comply with certain regulations, out of the municipal treasury.

During the recent campaign in the United Kingdom it was announced by the Liberal Ministry that if it was returned to power it would establish a system of insurance against unemployment which would benefit at least 2,500,000 persons. As that is about the present membership of British trade unions, and as the Liberal Ministry is favorably disposed to organized labor, it seems probable that some plan like that of Ghent is contemplated.

Germany, which has been the leader in devising plans of workingmen's insurance against other evils, has thus far refrained from introducing insurance against unemployment. The government has stated from time to time in the *Reichstag*, however, that the matter was under consideration, so some scheme of compulsory insurance against unemployment may yet be established.

In the United States, as is well known, trade unions have been far behind the British labor organizations in establishing benefit features. This has been particularly true of unemployed benefits. In 1905, not over \$80,000, or about one half of one per cent of the total expenditures of the prin-

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cial unions, was for this purpose. Even this small expenditure represents some progress, and there is every reason to anticipate that more and more attention will be given to benefits here, as has been the case abroad.

Insurance against unemployment, where the conditions are favorable to its operation, has everything to recommend it. It distributes a burden which often falls with crushing force on a single individual, over a larger group, which can bear it with comparative ease. It enables workmen in seasonal trades to look forward to the dull period without anxiety, and encourages them to save, by paying their union dues, so that all may meet the period of unemployment without privation. Finally, it fosters a spirit of mutual helpfulness and mutual confidence that cannot but react favorably on all of the relations of life. It would be premature to commend the plan of subsidizing trade unions which administer such benefits wisely and honestly out of the public treasury. Even granting the importance of the service they perform, there are still weighty objections to a subsidy policy. On the other hand, the state may well encourage trade unions to undertake to provide such benefits, by informing them, through the departments of

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labor, of the methods employed in other countries, and by safeguarding their funds.

Useful as is such insurance, it is difficult to see how it can be extended beyond the well-organized trades because of the administrative difficulties connected with it.

I have reserved for final consideration the method of caring for the unemployed that has received most attention in this country, that is, relief work of various kinds, either public or private. Undoubtedly, in times of depression when the number of the unemployed is abnormally large, some form of relief work is often necessary. On the other hand, it would be difficult to cite a case, where relief work has been provided on any considerable scale, where the demoralizing consequences have not largely neutralized the expected benefits. Whether administered by public officials or the agents of private philanthropic societies, there is about relief work an atmosphere that is deadening to the self-respect of those who accept it. The result is that instead of preserving the standards and the efficiency of those it is intended to help, relief work reduces all toward the level of the lowest type of worker who is employed. Relief

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works of various kinds and on an unprecedented scale have been maintained in England during the last ten years, and it is a significant fact that it is the opinion of the Poor Law Commission that they have served, on the whole, to aggravate rather than to relieve the problem of unemployment. In the ultimate solution of the problem it may be necessary to assign a place to relief work, but, in my opinion, when the resources of labor exchanges and unemployment insurance have been exhausted, it will be better to send the unemployed to school and train them to do the work for which there is a demand, even supporting them during the process, than to put them to work at tasks which they know and every one knows are provided for the express purpose of giving them something to do. After all, the most precious asset to be preserved during a period of stress and strain is the independence, self-respect, and efficiency of those subjected to it. Learning to be a better workman appeals to the best there is in a man, whereas, doing artificially created work is calculated to bring out his worst characteristics. So far as the labor called for is concerned, a well-managed industrial or trade school can be made to apply as severe a work test as a woodyard or a sewing room. Finally, when

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the emergency is passed and the unemployed can again find employment, their training ought to help them to command higher wages and to be better workmen than they were before. Unemployment may thus prove a disguised blessing instead of an undisguised affliction.

CHAPTER V

PROVISION FOR OLD AGE

THE last of the evils that I propose to discuss in these lectures is impecunious old age. Happily, old-age poverty is less conspicuous in the United States than it has become in European countries, but it is already sufficiently common to present a problem.¹ Numerous as are the old men's homes, old ladies' homes, and homes for aged couples that are supported by private charity, they are yet, as every worker among the poor knows, too few to meet the demand. Our almshouses are also practically homes for the aged poor. Some almshouse

¹ We have no trustworthy information in regard to the amount of old-age poverty, as distinguished from pauperism, in the United States. Statistics of pauperism clearly indicate, however, our more favorable situation. Thus, according to the Massachusetts Commission on Old-age Pensions, Annuities, and Insurance, there were in that state in 1908 8.5 paupers for every 1000 of the population as compared with 24.2 per thousand in the United Kingdom, and 31.7 paupers over 65 years of age for every 1000 of the population in that age class as compared with 173 per thousand in the United Kingdom.

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inmates became paupers before they were aged, but many of them led independent and self-respecting lives, and even put by something for the future while physically able to earn wages. When wages ceased, savings, if any were made, were used up or else lost in unwise investments, and at the end almshouse relief and the pauper's grave were preferred to exposure and starvation.

Whatever preconceptions we may have in regard to the duty of thrift and the importance of making every one suffer the consequences of his own lack of forethought, we must all agree that the lot of the aged pauper is a hard one. Other countries are trying to ameliorate this lot by substituting for pauper relief compulsory or assisted insurance or old age pensions of various kinds. Their need is greater than ours, but this makes it more important that we study the problem and decide as to the merits and demerits of different plans for providing for old age, before an aroused public opinion, brought to bear on our state legislatures or on Congress, forces unwise legislation.

Old-age poverty is, of course, not a new problem. There is every evidence, however, that it is a problem of growing seriousness. In the country household there is a place for the aged parent or

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grandparent. The family has a settled abode, and economic interest reënforces filial regard in securing to old people proper care and consideration. So long as any strength remains, there is useful work about the house or farm which they may do. Moreover, the cost of maintaining an aged relative in the country is so small as to seem an insignificant burden. In the crowded tenement houses of modern cities the situation is very different. Here, as industry is now organized, there is little for an aged person to do. The positions for which men or women over sixty-five years of age are suited are few, and there is always an excess of old men and women looking for such positions. Furthermore, the cost of maintaining an aged relative in the city is an appreciable item in a wage earner's budget, and even when the burden is cheerfully borne, it means so much less for other necessary family expenditures.

As changing economic conditions are rendering the dependence of old people on their descendants for support increasingly precarious, so, on the other hand, new obstacles are arising to providing for old age through voluntary saving. I have already spoken of the tendency of expanding wants and

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of city conditions of property ownership to discourage saving on the part of wage earners. The call of the savings bank and of the insurance company is weak in comparison with the old-time call of free land and a home of one's own. As the typical American is changing from the farmer to the factory employee, the likelihood that old-age poverty will be provided against by voluntary saving is decreasing. We have not yet seen the normal consequences of this development in the United States, because we are still in a transition stage. European experience, however, should leave us in no doubt that a great increase in old-age poverty lies before us, unless we are prompt in taking measures against it.

The proper method of safeguarding old age is clearly through some plan of insurance. Old age is a risk to which all are liable, but which many never live to experience. Thus, according to American life tables, nearly two thirds of those who survive the age of ten die before the age of seventy. Under these circumstances, for every wage earner to attempt to save enough by himself to provide for his old age is needlessly costly. The intelligent course is for him to combine with other wage earners to accumulate a common fund

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out of which old-age annuities may be paid to those who live long enough to need them.

There is little evidence that wage earners have thus far made much use of such machinery as is available for procuring old-age annuities. This is partly because of a lack of prudence and forethought on their part, but partly, also, because until quite recently the machinery itself has been unsatisfactory. Trade-union and fraternal insurance have done something to meet this need, but neither is on a very secure basis from the actuarial standpoint, and the number of individuals benefited has been small.

Much more significant in its promise for the future is the introduction of old-age pension plans by some of the railroad and industrial corporations. The pioneer in this field was the Baltimore and Ohio Railroad, which inaugurated its pension policy in 1884. Its example has already been followed by twenty-four other railroads, including such important systems as the Chicago and Northwestern, the Delaware, Lackawanna, and Western, the Illinois Central, the Pennsylvania, the Philadelphia and Reading, the Southern and Union Pacific, and the New York Central. Needless to say, these pension systems, though they require,

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often, no contribution whatever from the employees who benefit from them, have not been introduced on grounds of philanthropy. They are frankly intended for the good of the service. As Mr. Burton Hendrick puts the matter in an article on "The Superannuated Man":¹ "The most effective way of securing the right kind of force is obviously to adopt a broad general policy that will attract the most ambitious men, and secure from them the most efficient work of their productive years. The laws of gravitation affect wage earners as well as other objects in nature; the best inevitably gravitate toward the most satisfactory terms of employment. The corporation that can insure its employees a reasonable permanency of employment, promotion in order of precedence and fitness, and a satisfactory provision for old age, will inevitably attract the highest grade of men and obtain from them the most efficient work."

From the point of view of the railroad companies which have been so enlightened as to introduce them, these pension systems are admirable. A study of their detailed provisions leaves one a little less certain that they are entirely satisfactory

¹ *McClure's Magazine*, December, 1908.

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from the point of view of the men. Their primary object is to insure continuity of service. Thus, all of them limit their benefits to employees who have been in the service of the corporation for a considerable period of years, ten, fifteen, twenty, twenty-five, and in one case thirty years being prescribed. Again, all of them base the amount of pension on the period of service, a usual plan being to pay one per cent of the average wages during the last ten years for each year of service. Their whole tendency is thus to tie the employee to the single corporation for life. As regards railroad corporations, continuity of service is so important to the safety of the traveling public, and the relations between employer and employee are on the whole so satisfactory, that this is perhaps not a serious objection.

The same system, however, is being widely adopted by industrial corporations. Already twenty or more such corporations, including the American Steel and Wire Company, the International Harvester Company, the Standard Oil Company, the Metropolitan Street Railway Company, and the Western Electric Company, have such plans in operation, and many more are contemplating their introduction. In the opinion

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of employees in competitive industries, any plan which ties a man to his job by discouraging him from changing from one employer to another, when by so doing he may better his condition, is undesirable. All economists recognize that the mobility of labor is an important factor in securing for wage earners higher earnings and better conditions. These pension plans are intended to and do oppose the free mobility of labor. No fault is to be found with the employer for desiring to insure the stability of his labor force. On the other hand, we must recognize that these plans which make enjoyment of an old-age annuity contingent on devotion to a single employer over a long period of years may seriously hamper wage earners in their efforts to improve their lot.

I mention this drawback not because it seems to me an insurmountable obstacle in the way of solving, or largely solving, the problem of provision for old age through corporate initiative, but because I think it ought to receive more sympathetic consideration than corporate managers have yet accorded to it. These corporation systems in their present form may be compared with the old-age pension systems that were maintained by some of our universities before Mr. Carnegie came for-

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ward to provide old-age pensions for college professors through the Carnegie Foundation. Under the old plan, a professor at Columbia, for example, was entitled to a pension after a certain number of years' service, *if he remained at Columbia until he attained the age of sixty-five*. This was a good system for Columbia, but it cannot be denied that it had a tendency to keep men in New York when it might have been better for them and better for the country if they had felt freer to go to other universities to which they were called. By Mr. Carnegie's benefaction a national system of pensions for college professors was substituted for the local systems that were previously established. The Columbia professor to-day is no better off, if he prefers to remain at Columbia, than he was before the Carnegie Foundation was established. He is freer, however, to consider on its merits any invitation to take his Columbia training and his Columbia experience to another institution which may require his services. By his benefaction, Mr. Carnegie increased the mobility of the teaching staff of our American colleges, and I believe the country is the better for the change.

It would be entirely possible for the great corporations that have taken the initiative in supply-

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ing old-age annuities for their employees to substitute for their establishment plans some system by which the employee who could better himself by changing to another employer might do so without forfeiting his right to the annuity. To explain how this might be done, I must first describe two other important recent developments in the field of old-age insurance in the United States, the Massachusetts Savings Bank Insurance plan, and the offer of new types of old-age annuity policies by the commercial insurance companies.

The Massachusetts Savings Bank Insurance system was introduced three years ago, for the purpose of bringing cheap life and old-age insurance within the reach of all wage earners who patronize the savings banks. No paid agents or collectors are employed by the banks, and consequently the cost of administering the system is kept at a minimum. It is expected that business will come to the banks not only from wage earners who wish policies for themselves, but from trade unions, mutual benefit associations, and employers who wish policies for their members or employees. The banks insure not only individuals but groups of individuals, and their initial rates, which are themselves low, are made even more attractive

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by the payment of substantial dividends. Thus, the dividend last year, the first year during which the system was in full operation, was $8\frac{1}{2}$ per cent to all policy holders. The system has not yet been in operation long enough to justify confident assertions in regard to its success. Its promoters claim that it has already forced the commercial companies materially to reduce their rates, and that still further reductions are probable. On the other hand, the commercial companies assert that they were about to reduce their rates any way, and that, if they were given the same privileges as the savings banks in regard to the issue of group policies, they could offer better service at lower terms than their new competitors.

That an important change in the policy of the industrial insurance companies was made, at about the same time that Massachusetts introduced her interesting experiment, is generally admitted. The premium rates on workmen's insurance policies have been materially reduced, and numerous new forms of policies designed to meet more exactly the real requirements of wage earners have been put out. Thus, the Metropolitan Insurance Company has recently offered a combined life and old-age annuity policy at rates that bring it

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within the reach of all wage earners, except the very poorest, who have the forethought to provide against these contingencies. The Metropolitan Company has also sought to have the insurance laws of the various states amended to enable it to offer group policies. Such amendments have been made in Maine, New Jersey, and Minnesota, and though bills having this end in view were defeated in Massachusetts, and, through the governor's veto, in New York, it seems probable that such a desirable change will soon be made in the insurance laws of all of the states.

The plan by which well-disposed employers might free their offer of old-age annuities to their employees of the objection that such old-age annuities tie them to their jobs, is, briefly, as follows: Taking advantage of the low rates for insuring groups of men, employers might secure old-age annuity policies for their employees as they are added to their force. The premiums on these policies might be paid wholly by the employer, as an addition to wages designed to attract a higher type of workmen; wholly by the employee, as a deduction from his wages voluntarily agreed to at the time he enters the employment; or, partly by the employer and partly by the employee. In any

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event, the employee should be given a property right in the policy taken out for his benefit. If he decided at any time to change to another employer, the policy should be freely surrendered to him, or its cash value paid over to him. On entering the employment of a new employer who had a similar system, he should be required to deposit his policy with the employer, and the premiums on it would be paid by the new employer, in accordance with whatever plan he was pursuing with reference to his other employees.

Along these lines it would be possible, if broad-minded employers would take the initiative and look at the problem from the point of view of the deep social interests at stake, for the United States to go far toward securing the benefits of the compulsory old-age insurance system of Germany, or the old-age pension system of the United Kingdom, while avoiding the serious disadvantages of both plans. It is perhaps visionary to expect that American employers will do this, but there is good ground for maintaining that, unless they will carry out some such plan, old-age pensions paid by corporations to the employees who have been long and faithful in their service will fail to solve the serious social problem presented by old-age poverty.

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Another important development in the line of provision for old age is the growing agitation for old-age annuities for civil service employees. Aside from humanitarian considerations, there can be no question that the efficiency of the public service requires some arrangement for the enforced retirement of civil service employees at a stated age. The United States is the only important country which has not introduced retiring allowances for public employees. The authorities at Washington are so impressed with the importance of the question that President Taft, the Secretary of the Treasury, and the Secretary of the Interior have united in urging Congress to pass a civil service old-age pension law during the present session. The same considerations that apply to old-age pensions for federal employees apply to state, county, and municipal employees. It is a significant indication of the trend of the times that the Report of the Commission on Old-age Pensions, Annuities, and Insurance, which has just been submitted to the Massachusetts legislature, while highly conservative in most of its recommendations, comes out strongly in favor of retiring allowances for public employees. In this connection it says: "The fundamental consideration is one of

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economy and efficiency. The retirement system will stop the waste and demoralization now involved by the continuance of worn-out workers in the public service." To supplement this recommendation, it has introduced bills into the legislature providing retiring allowances for state, county, city, and town employees based on the contributory principle.

So much for the situation as regards provision for old age in the United States. Other countries, as already stated, have gone much further in developing policies to cope with this problem than we have.¹ In this, as in so many fields, Germany was the pioneer. Following the successful establishment of compulsory illness and compulsory accident insurance through the acts passed in 1883 and 1884, the imperial government introduced compulsory old-age and invalidity insurance in 1889. Under this system, employers in Germany are required to insure their employees sixteen years of age and over, by paying the prescribed premiums to the local insurance offices.² One half of these

¹ Admirable brief descriptions of foreign systems of caring for old age are given in the Preliminary Report of the [Massachusetts] Commission on Old-age Pensions, etc., submitted to the legislature in January, 1909.

² The method of payment is through the purchase of insurance stamps which the employer is required to affix each

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premiums is deducted from the wages of the employee; the other half is contributed by the employer. The government itself contributes 50 marks (\$12.50) per annum to each annuitant, and also bears most of the expense of administering the system. The annuities are paid to any insured person who is completely disabled from earning wages, or who has attained his seventieth year, whether incapacitated from earning wages or not. The amount of annuity depends on the wage class to which the insured belongs, but is, in any event, quite small according to American standards, the highest pension being only 230 marks (\$57.50) a year.¹

There can be no question but that Germany's system has succeeded in ameliorating old-age poverty in that country. The opposition to it, which was at first bitter on the part of employers, has disappeared, and it is now looked upon as reasonable and desirable social legislation. Nevertheless, this feature of Germany's compulsory insurance system has not been imitated by other countries. Among the objections urged against it are:—

week to the insurance cards carried by his workmen. The pensions themselves are paid through the post offices.

¹ Though the average pension paid in 1906 was only \$39.52, the system called for a total expenditure in that year of \$32,845,000.

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(1) It imposes an onerous tax on employers which it is not easy to justify. Old age is not the result of employment, but entirely distinct and independent of it. If a comprehensive plan for providing maintenance for the aged is to be adopted, why should employers be singled out to make a special contribution to it? On what ground can it be maintained that they are any more responsible for the solution of this social problem than any other class in the community? In Germany, employers submit to it because, between the landed aristocracy on the one hand and the social democrats on the other, they are politically weak. It would be difficult to make them submit to it in a country where their political influence was greater.

(2) The administration of the system requiring, as it does, so many small contributions collected over such a long period of years is both cumbrous and costly.¹ Unless it can be clearly shown that this method of providing old-age annuities fosters thrift on the part of those who benefit from it, as the method of old-age pensions paid directly from

¹ The weekly premiums now required range from 14 pfennigs (3½ cents) for the lowest grade of wage earners to 36 pfennigs (9 cents) for the highest. As the insurance begins at 16 and continues to 70, it would be necessary, in the normal case, to affix the stamps 2808 times.

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the public treasury fails to do, the greater costliness of administering it is a serious objection.

(3) It is questioned whether compulsory insurance does tend to foster thrift. Compulsory thrift is almost a contradiction in terms. It is not through being compelled to save that people develop the habit of looking forward and the spirit of enterprise which will lead them voluntarily to make provision for future needs. This is a psychological question, and those who have studied the reaction of Germany's system on the habits of Germany's wage earners hold diverse views in regard to it. There certainly appears to be some evidence that now that the discussion of the system has largely ceased, wage earners think of their wages as what is left after employers have made the deductions which the law requires, and look upon those deductions as taxes to which they are subject, without giving much thought to the fact that the proceeds may ultimately be expended for their benefit.

The same general social conditions which led Germany to introduce compulsory old-age insurance, led Denmark, two years later (1891), to introduce her system of old-age pensions. This was part of a comprehensive reform of the Poor Law,

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which was designed to deal even more rigorously with what we may call the “undeserving” poor, and at the same time to treat more generously and considerately the victims of misfortune. To be entitled to a pension under the Danish law, the applicant must satisfy the following conditions: —

(1) He must not have been convicted of a crime or of a dishonorable transaction.

(2) His income from other sources must be insufficient to provide the necessities of life, or proper treatment in case of sickness for himself or those dependent upon him.

(3) His poverty must not be a consequence of any action by which he has deprived himself of the means of subsistence for the benefit of his children or others.

(4) During the ten years preceding his application he must have had a fixed residence in the country, and not have applied for pauper relief or have been found guilty of vagrancy or begging.

(5) Finally, according to a proviso added in 1902, he must not have led a life such as to cause scandal nor have been convicted of drunkenness or immorality.

Any person who has completed his sixtieth year, and satisfies these requirements, may apply for an old-age pension to be paid entirely out of the public

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treasury. The amount of the pension depends upon the cost of living in the locality, and is determined by local officials. That it is not excessive may be inferred from the fact that in 1904 the maximum pension paid was only \$84 a year (in Copenhagen), and the average was less than \$40. For pensioners who have no relatives or friends with whom they may lodge, old-age homes are provided of which Miss Sellers draws quite an idyllic picture in her interesting account of the *Danish Poor Relief System*. They are managed more as small inns or boarding houses than as charitable institutions, and the residents are treated as voluntary guests rather than as inmates.

Students of the Danish system say that that country, by making a sharp distinction between paupers and pensioners, has succeeded in providing for the victims of misfortune in their old age without discouraging thrift and prudence on the part of the wage-earning classes. The very fact that to secure an old-age pension the applicant must not have been in receipt of public relief or been convicted of begging or vagrancy during the preceding ten years necessitates a self-supporting existence up to the time when wage-earning capacity begins to wane.

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Germany's and Denmark's systems were introduced by conservative leaders who were alarmed by the progress of radical thought as typified in the social democratic party. From this point of view, the adoption of old-age pensions by New Zealand and the states of Australia, which came next in chronological order, is highly suggestive. New Zealand's system, which was introduced in 1898, was the policy of the labor party itself. This system was copied within the next few years by New South Wales and Victoria, and in 1908 introduced for the whole Commonwealth of Australia through a federal law which has just come into operation.

The spirit of this legislation is indicated by the preambles to the statutes introducing it. The laws of New Zealand and New South Wales declare that "it is equitable that deserving persons who, during the term of life, have helped to bear the public burden of the Commonwealth by the payment of taxes, and by opening up its resources by their labor and skill, should receive from the colony pensions in their old age." The law of Victoria goes even further, asserting that "it is the duty of the state to make provision for its aged and helpless poor." As the main features of these systems are reproduced in the recently adopted

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system of Australia, a brief description of the latter will suffice. In order to secure a pension in Australia, the applicant must have attained the age of sixty-five, must have resided in the country for twenty-five years continuously prior to the date of application, must be of good character (that is, have led a temperate and reputable life during the five years immediately preceding the date of application), must not have deserted husband, wife, or children, and must be in need of the assistance, the test being the amount of income from other sources (not more than £52) or the amount of property owned (not more than £310). The persons satisfying these requirements are entitled to pensions of not more than £26 (\$130) a year. If the income from other sources amounts to more than £26, the pension is reduced correspondingly, the total income being kept down to £52 a year (\$260).

It is too early to judge of the effect of this federal old-age pension policy in Australia. The New Zealand system, however, has now been in operation for more than ten years, and some notion of its tendencies may be formed. The total number of pensioners in 1908, out of a population of about one million, was 13,569. The expenditure

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for pensions in that year was \$1,626,000, or approximately \$1.70 per capita of the population.¹ Since the system was introduced, the number of pensionaires has increased year by year, but not with alarming rapidity. The amount paid in pensions has trebled during the ten years from 1899 to 1908, but this fact was due in large measure to changes in the law which increased the maximum pension from £18 to £26. As an offset to this expenditure, the pension policy has reduced the amount expended on outdoor relief; there has been, on the other hand, an increase in the amount spent in indoor relief, but that is explained chiefly by more liberal provision for indoor paupers.

The pension system that has attracted most attention, and that for obvious reasons is most interesting to us in the United States, is that introduced into the United Kingdom by the act passed

¹ If a similar policy were adopted by the United States, and the per capita expense entailed was the same as in New Zealand, — the cost of living there being as high as the cost here, — the resulting addition to national expenditures would be somewhat less than the present cost of our military pensions (\$161,710,367 for year ending June 30, 1909). This is a very large item, but as our military pensions are assuming more and more every year the character of old-age pensions, and should from now on decrease, it cannot be said to be larger than the country could bear, if the policy were deemed wise.

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August 1, 1908, and which came into operation January 1 of last year. This act follows the laws of Denmark, New Zealand, and Australia in limiting rigidly the persons who are entitled to this form of public assistance. To receive a pension in the United Kingdom, a person must have attained the age of seventy, must have been a resident in the country during the twenty years preceding the application for the pension, must satisfy the pension authorities that his yearly income from other sources does not exceed £31 10s. (\$157.50), that he has not failed to work according to his ability, opportunity, and need, for the maintenance of himself and family, and that he has not within ten years been convicted of any offense for which the punishment is imprisonment without the option of a fine. The amount of the pension for persons whose income from other sources does not exceed £21 (\$105), is 5s. or \$1.25 a week. From this maximum the pension declines with the amount of the income from other sources. Persons whose outside income exceeds £31 10s. a year may not claim a pension. Under this law, some 667,000 persons qualified for pensions during the first year, and the resulting expenditure amounted in round figures to \$40,000,000. These 667,000 persons con-

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stitute somewhat more than one half of the population of the United Kingdom seventy years of age and over.

As is well known, the United Kingdom did not adopt an old-age pension policy without having devoted many years to the consideration of the subject. As long ago as 1878, Canon Blackley proposed a contributory old-age pension policy. From that year until the enactment of the old-age pension law thirty years later, a great variety of pension plans were proposed and considered by royal commissions, parliamentary committees, and successive cabinets. On the eve of the Boer War the Conservative Ministry of the day was on the point of introducing an old-age pension bill into Parliament. The state of the public treasury during and immediately after that war made the adoption of any pension policy impossible. How favorably English public opinion is disposed to this method of caring for the aged poor is attested by the fact that when the Liberal government came into power three years ago this was one of the policies which it put into effect. Its attitude was no doubt influenced by the growing strength of the Labor party, but there is every indication that even had the Labor party failed to return

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fifty-two members to the last Parliament, some sort of old-age pension system would have been adopted.

Though it is too early to form a confident opinion as to the effect of the new policy on the habits of wage earners, there is certainly little ground for some of the arguments often heard in this country against this and similar old-age pension systems.

Few people appear to have given adequate thought to the circumstances which narrowly limit the problem of providing pensions for the aged poor. The payment of such pensions clearly has no tendency to increase the number of persons who pass the age of seventy. Old-age poverty is too remote from the calculations of youths and maidens to have any effect on marriage or birth rates. At most, assuring to old people bare maintenance after they pass a certain age can affect their number only by extending somewhat the length of life. No one can be so inhumane as to urge this as an objection to the policy.

But provision of old-age pensions may tend to increase the number of aged poor, that is, may discourage thrift on the part of the wage-earning masses. This thought leads many intelligent people, who appreciate the desirability of collective

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provision for old age, to favor the system of compulsory insurance, while opposing strenuously gratuitous old-age pensions. In my opinion, the idea that *compulsory* insurance against such a remote contingency as old age fosters thrift is illusory. As already suggested, providence and forethought are not developed through compulsion; are, in fact, almost inconsistent with compulsion. On the other hand, old age is only one and not a very important one, of the contingencies that put a high premium, as society is now organized, on a saving disposition. It is desirable to save and acquire property to get on in the world, to give children a better start than their parents enjoyed, to be assured more than bare necessities as old age comes on, etc. These, the strongest motives leading to saving, are unaffected by the guarantee of a small annuity out of the public treasury after a certain age has been reached, especially if one condition to securing the annuity is that the applicant should not have received poor relief up to the time when the application is made. The smallness of the pension in all the countries having old-age pension laws (the maximum being only \$2.50 a week in Australia and New Zealand) and insistence that during the years immediately preceding ap-

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plication for a pension the candidate should have lived a respectable and self-supporting existence, makes any discouragement of thrift in consequence of the policy quite improbable.

It is no doubt a deplorable fact that in the United Kingdom more than half of the persons who have passed the age of seventy should be entitled to pensions under the by no means excessively liberal provisions of the law, but this fact was not the result of the pension policy; the large amount of old-age poverty which it reflects was rather the cause of the pension policy. It was because statistics showed that one fifth of the population from seventy to seventy-five, one fourth of that from seventy-five to eighty, and quite one third of that over eighty, was actually dependent on pauper relief that a more humane way of caring for the aged poor was introduced. In my opinion, there is quite as much reason for anticipating that the new policy will encourage thrift as for the contrary view. The guarantee of five shillings a week may encourage persons of advancing years, who before had nothing to look forward to but the workhouse, to make some savings to supplement this very small income. There is some truth in the view that people will make sacrifices for tea and

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tobacco that they will not make for bread and meat. Moreover, whatever the fact as regards saving for old age, there can be no doubt that the new policy will add to the incomes of families who feel the care of parents and grandparents a serious, even though not unwelcome, burden. The better provision for children that may result from this enlargement of family incomes should have a favorable effect on the rising generation. Finally, this and every other change which makes for confidence and certainty on the part of wage earners should tend to encourage prudence and forethought and to discourage recklessness and indifference.

For these and other reasons, that is, that the number of old persons in the country cannot well be increased by an old-age pension policy, that the number of the aged poor is not likely to be increased, and that the influence on prudence and forethought is as likely to prove favorable as unfavorable, the dismal forebodings and head-shakings which the adoption of old-age pension policies by Australia and the United Kingdom has caused in philanthropic circles in the United States, seem to me quite uncalled for.¹

¹ The Massachusetts Old-age Pension Commission goes so far as to say that: "A non-contributory pension system is

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Whether it will prove desirable in the United States at some future time for us to adopt an old-age pension policy is a question the answer to which must depend on the direction taken by the corporation pension systems that are already so common and that seem destined to become very general. If corporation managers can be persuaded to substitute for their establishment pension plans systems that do not interfere with the mobility of labor, such full provision may be made through these systems and through special pension arrangements for public servants of all sorts, college professors, etc., that governmental action, except to provide for public employees, will be unnecessary. If, however, corporate pension plans continue to require those who benefit from them to serve for long years the corporate employer promising the pension, this method of providing for old age will prove

simply a counsel of despair. If such a scheme be defensible or excusable in this country, then the whole economic and social system is a failure. The adoption of such a system would be a confession of its breakdown." One can only regret that the members of this Commission did not visit progressive and prosperous New Zealand and Australia before they committed themselves to such extreme views. Such opinions in those countries, whose "economic and social system" is fundamentally like our own, would excite only amused surprise.

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inadequate. Wage earners will have little enthusiasm for it; they will continue to change from employer to employer to better their condition, and a large, in the aggregate a very large, number will fail to secure such pensions because they will not have complied with the conditions.

Our experience with national military pensions has not predisposed us to favor national pensions of any description. Giving full weight to the fact that the number of aged persons is strictly limited, there is still danger that, if we were once embarked on the policy of granting annuities out of the public treasury to private citizens, pressure would be brought to bear on Congress to lower the age limit and increase the annuity, and that this might lead to unwise extensions of the policy in both directions. For these reasons it is all the more to be hoped that those intrusted with responsibility for directing the great corporate interests of the country will not only continue to introduce such wise provisions for their employees as old-age pensions, but will do so on terms that will not interfere with the mobility of labor.

CHAPTER VI

NEXT STEPS IN SOCIAL ADVANCE

IN a recent book,¹ Mr. Fielding Hall, after describing a famine in Burma, imagines the following colloquy between the civilizations of the West and the East. The West says:—

“You are punished because you have not energy and knowledge. You are punished because you are poor, because you have not striven after riches, have not piled up wealth. You suffer and you die because of your own fault.” . . .

The East answers: “Can we bind the wind or bring the clouds upon the earth; are we rulers of the rain?”

“No,” the West concedes, “but you might save so as to prepare against that which may come. You ought to pile up wealth on wealth, and then you would not fear.”

“We do not fear,” the East replies. “It is you who fear. You always live in fear. You dare not

¹ The Inward Light, pp. 125–127.

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live from day to day. You must make piles of wealth for fear, for *fear*. You always look forward to a fear that lives on your horizon. We do not fear."

And continuing: "You are unhappy; we are happy. You are always struggling. You think you master Fate; you cannot. You pile up wealth; you never can be sure it will not disappear; you cannot tell that with all your skill you will not die to-morrow. Sometimes you succeed; more often you must fail. You seem to us to be always trying to do things that you cannot. . . . And when you fail, you suffer. So then all your lives you are discontented, you suffer, you are afraid."

This is a striking presentation of the contrasting ideals of West and East. The West is preoccupied with material anxieties. The East is bowed under the weight of a fatalistic philosophy. In struggling to secure the means to live, Western peoples too often miss the joy of living. In daring to live from day to day, the Burmese expose themselves to the ravages of famine. Fortunately, we are not compelled to choose one or the other of these ideals. The wise course is to strike a balance between them.

Life presents a material as well as a spiritual

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problem. Our mistake in the United States, as I see it, is not in trying to solve the material problem, but in believing that we can solve it by exclusive reliance on individual action. By so doing we not only miss the goal as regards large classes of our population, but we too often forget that wealth is a means, not an end, and in our pursuit of it ignore the spiritual problem altogether.

Up to a certain point it is moral and commendable for each to look after his own interests and the interests of those dependent upon him. It is a mistake to think that self-interest in this sense is synonymous with selfishness. Adam Smith's assertion that it is usually by pursuing our own interests, with due consideration for the interests of others, that we contribute most to the common well-being, is still true of the ordinary man in the ordinary situation. Self-interest and devotion to the common good are not inconsistent, but supplementary — just as patriotism and a sincere desire for world peace and world progress may be supplementary.

But along with our individual interests which can best be cared for by individual enterprise, industry, and forethought, there are other interests that call for collective or coöperative action. It

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has been the purpose of these lectures to indicate what some of these common interests are and what measures may be taken to care for them. Industrial accidents, illness, premature death, unemployment, and old age are the principal obstacles that oppose wage earners in their efforts to be independent, self-supporting, and progressive. Protection against these evils is a common need. All are risks to which men and women are exposed but which many never experience. As common risks, the wise and economical way to provide against them is through coöperative action.

If all wage earners, or even the majority, would voluntarily insure themselves against these evils or make savings sufficient to meet them, no social problem would be presented. Such voluntary coöperation through fraternal insurance associations or commercial insurance companies would make state action unnecessary. But, unfortunately, few wage earners have the prudence, the forethought, or, from their point of view, the income to pay for such insurance. Still fewer of them accumulate enough property to protect themselves from these dangers. That this has been the case in the past, I think no one will deny. But we have deluded ourselves with the belief that by extoll-

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ing the virtue of thrift to wage earners we should finally persuade them to make the provision for these future needs which is now so conspicuously lacking. In my opinion, this is a vain hope. Along this road we are making little real progress. To encourage wage earners to be more careful and provident, we must first of all protect their standards of living from these risks to which they are now exposed. By coöperative action, impelled when necessary by the compulsory authority of the state, we can give stability to the incomes of wage earners and oppose that downward pressure which now so constantly recruits the army of standardless, casual labor. By these means, and by these means only, in my opinion, can we hope to raise the whole mass of wage earners to higher standards of efficiency and earnings and to more intelligent appreciation of all of life's possibilities. This is the underlying thought on which the proposals advanced in these lectures rest.

In summing up my suggestions this afternoon and indicating what seem to me to be the most needed next steps in social advance, I must enter still other controversial fields. The characteristic common to most of the policies that I have advocated is that they call for vigorous governmental

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action. It is right here that we find the principal source of opposition to them in the United States. Fair-minded men, who have made a study of foreign experience, cannot but admit that these policies work well abroad. But when it is suggested that we try them in this country, objections are at once urged. They are said to be unsuited to a federal form of government; it being forgotten that Germany and Australia have federal governments. They are said to be out of harmony with our republican institutions; the fact that France, New Zealand, and Australia have republican institutions being overlooked. They are said to call for a strong central government; the quite erroneous implication being that our government at Washington, so far as its powers go, is not strong and central. The truth is that our distrust of them is not due to the form of our government, or even to the size of our country, but to our distrust of government itself — a distrust which is partly inherited and partly the result of painful experience. We do not wish our cities, our states, nor our nation to undertake new and difficult functions, because we know that the functions they now undertake are too often ill performed.

The next step toward introducing the program

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of social reform which I have outlined must be political reform. At this moment, our representatives at Albany are trying to determine whether the corrupt alliance between business and politics, the sordid details of which are being revealed from day to day, is correctly described as bribery or blackmail. Who began it? If business men first approached legislators who were intent only on doing their duty by their constituents, and tempted them by offers of money or other advantages to hold up needed legislation, the offense was bribery. If legislators introduced bills, strike bills, for the purpose of compelling business men to pay to have them withdrawn, it was blackmail.

The decision of this question is no doubt important to the principal performers in the drama that is now being enacted, but what most concerns the people of the state is that either bribery or blackmail should have been determining factors in shaping legislation. That the laws of this state should have been matters of bargain and sale is a disgrace to the commonwealth.

I may be unduly optimistic, but I believe that the investigation that is now going on marks another milestone in the road that our country is slowly traveling toward honest and efficient gov-

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ernment. The very fact that a majority of the senators at Albany sincerely desire a thorough housecleaning is indicative of the change that has come over the legislature since the most flagrant of the offenses complained of were committed. And the improved character and intelligence of our legislators at Albany is not a peculiarity of New York. In every state, new and better men are being attracted into public life. In every community, public opinion is forcing business men, from very shame, to change their attitude toward the common government. From viewing it as a legitimate means of advancing their private interests, they are coming to think of it as the protector and promoter of our common welfare. No one could claim that this progress has been steady or continuous. On the other hand, not even the most pessimistic can deny that each new reform wave sets a new standard of governmental efficiency and official honesty, which may be receded from in the reaction that usually follows, but that is never entirely lost. I believe that the fight for honest and efficient government is being won. And as it is won, we can safely impose on the government new and difficult functions. Political reform will no doubt long remain for us a next step in

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social advance — but it has already been sufficiently achieved to make other steps possible. The argument that no new duties must be intrusted to the government because it fails in the duties it already has, seems to me to be no longer admissible.

Next to political reform among the changes necessary to the realization of the program I have advocated, I should put industrial education. We pride ourselves on being a practical people, and there is no doubt of our interest in education. Yet our educational system fails signally to prepare boys and girls for the lives that actually lie before them. This is the more regrettable because the increasing specialization of modern industry is unfavorable to an all-around development for those who take part in it. Unless boys and girls acquire some general knowledge of industrial processes and their interrelations, before they become wage earners, there is little chance of their ever acquiring such knowledge.

As manufacturing assumes more and more the factory form, a constantly larger proportion of wage earners become mere machine tenders. This undoubtedly makes for cheap goods, but it cannot be denied that it makes also for cheap men and

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women. The workers who devote their days to the continuous repetition of simple sets of motions — and this is the lot of most factory hands — tend to become deadened in mind and stunted in body. No one can go through a modern factory without being impressed with the fact that the joy in work of which poets sing is largely absent. Many operatives display remarkable quickness, and if the hours are not too long, are not physically injured by their tasks. But, on the other hand, the eagerness with which the factory whistle is awaited and the promptness with which work is suspended the instant it is heard are clear evidence that little interest is taken in the work done. The justification of the factory system, and the only justification I fear, is its efficiency as a means of producing goods. To the individual employee, this justification must take the form of high earnings and leisure for pursuits outside of working hours which will preserve him from becoming the human automaton which his work tends to make him. The problem for the future is to secure these advantages for factory workers, and at the same time to develop to the fullest extent other occupations than factory employments.

Encouragement of arts and crafts is especially

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important in the United States, because there are certain circumstances which cause manufacturing with us to take too exclusively the factory form. Our principal advantage over our foreign competitors comes from our wealth of natural resources. It is raw materials, the products of our extractive industries, that constitute our chief exports. Next to these come the cruder forms of manufactures, bulky iron, steel, and copper products, coarse cotton goods, flour, dressed meats, canned foods, etc., which we can produce more cheaply than our foreign competitors because we have cheap raw materials and because we have talent for organizing capital and labor effectively. A third important group of exports is traceable to the inventive faculty, which seems to be also an American characteristic. We export sewing machines, bicycles, typewriters, agricultural implements, and many other things which are in demand abroad, simply because we have invented them or improved them a little in advance of our foreign competitors. But, besides these three classes of exports, there are very few things that we can produce in free competition with foreign countries. We export almost no goods that are in demand abroad because of the superiority of American workmanship.

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On the other hand, a very large proportion of the articles which show superior workmanship or artistic excellence, which we use, we import, and this in spite of our protective tariff which imposes an average tax of 50 per cent or more on such articles. This is, of course, no proof of the inferiority of the American workman, as has sometimes been argued ; it merely reflects the fact that, so long as we can make such large returns in our extractive industries and in the cruder forms of manufacturing, it does not pay us to give much attention to the development of handicrafts. But it is no less ominous for the future. Our situation tends to make us predominantly a nation of farmers, of miners, and of factory hands. Will successive generations, devoting their lives to these pursuits, be able to compete against trained foreign workers as our natural resources become exhausted and we have to adjust ourselves to competition on more equal terms with our foreign rivals? The answer to this question seems to me to depend on the promptness with which we appreciate the importance of industrial education and the intelligence with which we introduce such training into our public educational system.

Up to the present time we have done less than

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any other industrially advanced country to give adequate training to our manual workers. In consequence, there can be no doubt that our skilled trades, such as our building trades, are relatively undersupplied with competent workmen, while unskilled, and especially factory employments, are relatively oversupplied. One has only to compare the wages paid in our building trades with those paid in the same trades abroad, and the wages paid in our mills with what foreign mill hands earn, to be convinced that this is the case. Naturally, it has been in the skilled trades, also, that labor unions have had their highest development, and their desire to advance the interests of their members has led them to work with, rather than against, the forces tending to keep down their number. Just what forms industrial education should take, when it should begin in our public schools, and when it should end, and how it should be related to the industries themselves, to carry on which it endeavors to train boys and girls, are technical questions which I shall not attempt to answer. Long since, we appreciated the importance of special training for those who are to take directing positions in connection with the world's work. We developed agricultural schools for the sons of

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independent farmers, and they compare favorably with those of any country. We developed mining and engineering schools. Latterly, we have begun to develop schools of commerce and finance and even schools of journalism. But all of these are for the fortunate two per cent or so of the sons of the republic who can continue their education after they have left the high schools. In our free public educational system we have, it is true, broken with the traditional notion that education has to do primarily with books, by introducing the kindergarten at one end and the manual-training high school at the other, but we have left a wide gap between, where manual training largely ceases, and we have done all too little to relate manual training to the practical requirements of the working life.

The objection that is most commonly urged against the introduction of industrial training into the public schools is that it will make education more material. The assumption behind this objection, that is, that training hand and eye is more material than training mental faculties through books, seems to me quite unwarranted. But even if there were truth in it, I think industrial training that would enable wage earners to

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command higher wages would still be desirable. After all, there is nothing that tends to materialize and brutalize more than the blind struggle for existence in which those who enter industrial life without special training for it are too often involved. When it is remembered that sound industrial education should not only increase the earnings of wage earners, but should develop higher standards of workmanship and increase the pleasure to be derived from work, the case for it seems conclusive. Our public schools cannot remain satisfied with merely preparing boys and girls to live rational, useful, and happy lives. They must also train them to command the earnings without which such lives are impossible.

One aspect of industrial education suggests the third next step in social advance which seems to me important. It should serve to deepen the sense of social solidarity that binds different classes together and to quicken the appreciation of common as distinguished from individual interests. For, as individualists like to point out, our present industrial system is ideally a great system of coöperation. Each is working for his own interest, but in so doing he is also advancing the interests of others. No one can live to himself alone. Each

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labors and produces for others, and consumes goods which others have produced. The trouble is that this coöperative aspect of modern industry is little understood by the majority of those who take part in it.

Industrial education, by tracing the historical development of different industries and showing the relation of different processes and different branches of production to one another, should help the wage earner to understand his true relation to industrial society. Monotonous tasks, repeated hour after hour, would be less irksome if the doer of them appreciated that by his work he was helping to gratify the wants of others, perhaps in distant lands, and that others were at the same time doing monotonous tasks in order that his wants might be gratified. The importance of the service that the employer performs would also be more clearly appreciated, and there would be more chance of success if the attempt should be made to dispense with the employer and substitute formal coöperation, directed by a committee of workmen or a hired manager, for the spontaneous coöperation that results from the division of labor and production for the market.

This deepening of the sense of social solidarity

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and quickening of appreciation of our common interests is indispensable to the realization of any program of social reform. Only by a change of attitude and change of heart on the part of the whole people can we hope to curb our rampant individualism and achieve those common ends which we all admit to be desirable but which are only attainable through our united efforts. As soon as we begin to think of government as something more than an agency for maintaining order, — as organized machinery for advancing our common interests, — we appreciate how far we still are from being a truly civilized society.

If our social consciousness had advanced beyond the rudimentary stage in its development, many questions which trouble us now would almost solve themselves. Take such a simple, common need as that of having clean streets. Every one will admit the desirability of clean streets, and yet it is the exceptional citizen who feels personal responsibility for keeping the streets clean. As individuals we throw papers and other rubbish about with reckless disregard of the consequences, and then find fault with the street-cleaning department because our streets do not present the tidy appearance of the Strassen of Berlin or the boulevards of Paris.

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Or consider the perennial question of the right of the police to secure exact means for identifying persons who for any reason come under their surveillance. The rational answer to that question is not that the police records should be confined to persons who have actually been convicted of crime, but that there should be in some department a complete and accurate registry of all persons in the city which could serve as a ready means of identification, and which, for example, would protect respectable persons who fall ill on the streets from the risk and humiliation of being arrested for drunkenness. Without such means of identification our police are constantly making stupid blunders, arresting and even clubbing innocent persons, and allowing criminals to escape. We require automobiles and even dogs to be licensed and registered, and yet we refuse to give the police department the most obviously requisite means for accomplishing its work — full and complete information about the persons whose lives and property it is expected to protect. When we make unfavorable comparisons between our police and the police, for example, of Berlin, we must not forget this important difference.

The same lack of appreciation of what our com-

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mon interests require is shown in more subtle ways in connection with great public questions, such as, whether Congress should have power to impose an income tax, whether trusts should be required to obtain federal charters, or whether we should have a postal savings bank.

After holding in repeated decisions that Congress had power to tax incomes, the Supreme Court decided in the nineties that such taxation, as applied to personal incomes, was unconstitutional. Both parties agreed in favoring an amendment to the Constitution which would clearly give the federal government this power. Such an amendment was framed by President Taft's advisers, adopted by Congress, and submitted to the legislatures of the different states. Several states ratified it, but when it reached New York, Governor Hughes, with whom I am proud to agree on most public questions, recommended its rejection by the legislature, on the ground that under it Congress might tax incomes from state and municipal bonds, and thus hamper the borrowing powers of subordinate branches of the government. This objection, which is understandable as coming from a cautious lawyer, has been accepted by the newspapers of the country as an utterance of wise and

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far-seeing statesmanship.¹ But is it compatible with a proper appreciation of the importance of our common interests? The Congress of the United States is not a foreign power against which citizens of New York must be carefully protected. Its acts are the acts of representatives from the different states, as jealous of the interests of their localities as Governor Hughes himself. Is it probable that they would approve a use of this taxing power that would embarrass the subordinate branches of the government in which they are equally interested? Or, if an occasion arose when the national interest seemed to require the taxation of all incomes, from whatever source, is it desirable or statesmanlike to oppose our selfish, sectional interests to this national need? To believe so seems to me to deny that we are in a true sense a nation with common interests and common purposes. It bespeaks a distrust of the representative character of Congress, a willingness to subordinate larger national interests to smaller state and local interests, and is another form, I cannot but think, of the exaggerated individualism to which I have frequently referred.

¹ The soundness of Governor Hughes's views as to the scope of the amendment has been questioned by high authority, but this does not concern us here.

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The question of requiring corporations whose business is interstate in character to incorporate under federal law, is of a somewhat different nature, and yet the arguments against the policy — so far as they are not constitutional — also ignore the great common interests at stake. Few will deny that the large corporations that we call trusts are national in the scope of their operations. Few are so ignorant of the facts as to maintain that the states can adequately control these giant organizations as the public interest requires. And yet, when the issue is squarely presented of bringing these corporations under the control of the federal government, an invasion of state's rights is charged, and the cry is raised that the new policy will prove subversive of local self-government. Industrially, we have become a great unified nation; politically, we are held back by our inherited traditions in regard to state's rights, by our distrust of governmental action, and by our strong individualistic bias.

The issue presented by the bill creating a postal savings bank now before Congress is more intimately related to the subjects we have considered in this course. Undoubtedly, one reason why wage earners are not more prone to save for future needs

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is that the facilities for safeguarding their savings in many parts of the United States are quite inadequate. It is not enough for those who deny this to show that sound and well-managed savings banks are found in our cities. Institutions for safeguarding the savings of wage earners must not only be sound but they must command the confidence of wage earners. Moreover, only about one third of the population of the country lives in cities. In small towns and country districts, particularly in the South and West, there are no savings banks, and it is not unusual for wage earners who are moving from place to place to buy post office money orders with their accumulations as on the whole safer than hoarding the money itself. Every one uses the post office to some extent. Backed by the credit of the government, a postal savings system commands the confidence even of the most timid and distrustful. Finally, post offices are to be found everywhere, and it would be comparatively easy for every post office that is now organized to issue money orders to extend its operations to include receiving money on deposit. In view of these facts and of the successful operation of postal savings banks abroad, it would seem that no fair-minded person would

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be found to oppose the principle of this new policy, however men might differ as to the best means of putting it into effect. And yet it is well known that the change is most actively opposed by the very men who might be expected to render greatest assistance in making it effective — the bankers of the country. Here, again, we have an illustration of inherited prejudices and individual interests making men blind to the common interests of the communities in which they live.

These instances and many others that might be cited all illustrate the same moral. The gospel of love has as yet influenced very little our views on public questions. In business and in politics we are still individualists. We habitually put our individual before our common interests, and even when we are conscious of common needs we hesitate to intrust them to our common government. To correct these national characteristics is, in my opinion, the most important next step in social advance. And as we correct them, as our sense of social solidarity is deepened, and our appreciation of our common interests quickened, measures of reform will seem obvious and easy that now seem visionary and impracticable.

I have presented political reform, industrial

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education, and a deepening of our social consciousness as needed next steps in social advance partly because they are so desirable in themselves, but partly, also, because the degree in which we attain them has an important bearing on the policies advocated in the preceding chapters. What this bearing is I can best make clear by now briefly reviewing these policies.

A vigorous campaign of accident and illness prevention and the organization of a national board of health were first advocated. As to accident indemnity, a system of workmen's compensation, like that of the United Kingdom, was urged as, on the whole, best suited to conditions in the United States. Under it, employers are required to add the cost of caring for the victims of industrial accidents to their other expenses of production, and the burden is thrown upon consumers, for whose benefit production is carried on.

Provision against illness offers, it was admitted, greater difficulties. As a first step, it was suggested that encouragement should be given to fraternal organizations and trade unions which afford illness insurance. For illnesses due to well-defined trade diseases, the plan adopted by England in 1906 of requiring employers to indemnify the victims of

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such diseases in the same way that they indemnify the victims of accidents was advocated. Finally, for illnesses not due to trade diseases, some system of compulsory insurance, like that of Germany, was urged as a goal to be sought so soon as public opinion should be prepared for it.

Unemployment also presents a many-sided problem. The measures proposed were: regulated production, a chain of employment bureaus which should register the names and qualifications of all unemployed persons in the state and to which employers should apply whenever they require additional hands, farm and industrial colonies for vagrants, trade-union insurance against unemployment encouraged, if not subsidized, by the government, and training schools for the unemployed during periods of enforced idleness, as preferable to relief work.

The final need, provision for old *agé*, was to be met as regards private employees by old-age pension or annuity systems maintained by corporations, provided these could be arranged so as not to interfere unduly with the mobility of labor; by retiring allowances to superannuated public employees; and by the encouragement of savings bank and commercial insurance against old age.

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National old-age pensions were not advocated, as the need for them in the United States is not yet clear, but some of the more common arguments against them were answered.

In choosing between different methods of dealing with these evils, it was necessary in nearly every instance to consider which was "best suited to conditions in the United States." And the conditions referred to are conditions as to governmental efficiency, the spread of sound industrial education, and the development of a social consciousness. I advocate workmen's compensation for industrial accidents on the English model. The Swiss, after devoting long years to a study of the problem, have just decided in favor of compulsory state insurance as preferable. No doubt it is preferable for Switzerland. It involves, however, the creation of a state insurance department to enter into a difficult and largely untried field of insurance. Optimistic as I am about our political future, I cannot feel that we are yet ripe for such an experiment in New York.

Compulsory illness insurance seems to me the only adequate solution of the problem presented by illness. Germany has operated such insurance for twenty-seven years, with a fair measure of

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success, and her example has been followed by other countries. I cannot feel, however, that our social consciousness is sufficiently developed or our government sufficiently efficient in this country to make the introduction of compulsory illness insurance immediately desirable.

The way to deal with the problem of unemployment was sketched out with confidence so far as the economics of the matter were concerned. As to the politics of the matter, there is ground for some misgiving. Can our states operate efficiently the chains of labor exchanges through which alone we can organize properly the labor market? With our small proportion of intelligent and trained artisans in a population made up so largely of farm workers, miners, and factory hands, will trade-union insurance against unemployment benefit any considerable number? Finally, can we seriously contemplate undertaking the industrial education of the unemployed, when we have as yet taken only the first timid steps in the direction of the industrial training of the youth of the land?

Political reform and industrial education have important relations with the problems presented by accidents, illness, and unemployment. The degree to which the social consciousness of a community,

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its sense of social solidarity, and appreciation of common interests are developed is the determining factor in connection with the problem of providing for old age. If we were truly imbued with the feeling that we are brothers working in a common vineyard, if we thought of the government as organized machinery for caring for our common interests, nothing would seem more natural and proper than that the government should pay pensions to those who in the active period of their lives have, in the language of the New Zealand act, "helped to bear the burden of the Commonwealth by the payment of taxes and by opening up its resources by their labor and skill." Such pensions could not fairly be called non-contributory. As Lloyd George pointed out in defending his old-age pension bill before the House of Commons: "As long as you have taxes upon commodities which are consumed practically by every family in the country, there is no such thing as a non-contributory scheme. If you tax tea and coffee, and partly sugar, beer, and tobacco, you hit everybody one way or another. Indeed, when a scheme is financed from public funds, it is just as much a contributory scheme as one financed directly by means of contributions arranged on the German or any

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other basis." This is perfectly true if the social consciousness of the people under consideration is so developed as to lead them to view taxes as fairly apportioned contributions to a common fund to be used for the common benefit. If, on the other hand, taxes are looked upon as forced levies exacted by an alien power, — and this I fear more nearly describes the common view of federal taxes in the United States, — it is not true. The whole issue turns on the state of the public mind. In a country where the sense of social solidarity is strong, gratuitous old-age pensions may be just and wise. In another country, in which individualistic conceptions dominate, they may appear as a device for compelling the prudent and thrifty to support the careless and improvident, and the jealousy and hatred which they engender may more than offset any benefits they can confer by relieving old-age poverty.

The thought suggested by these considerations may appropriately conclude this discussion of needed social reforms. There are no hard and fast answers to the social problems that have been touched on in these chapters. Solutions that would be true and wise in one time and place would be quite unworkable in others. On the

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whole, however, these United States are progressing. Government is becoming more efficient, we are growing more social, our absorption in our individual interests is giving way to deep and intelligent appreciation of our common interests. Under these circumstances, policies that a short time ago would have been quite unsuited to our conditions come each year within the range of practical politics. I am sufficiently optimistic to think that this progress is going to continue, and that any social policy that is sound and wise for a people sufficiently developed to make use of it will one day be sound and wise for the United States. Let us not be frightened by phrases, by the bugaboo of "destroying local self-government," of "projecting the United States into the banking business," of "undermining individual thrift," or of "socialism." With open minds, let us rather examine each new proposal on its merits. This is the truly scientific attitude toward a field of phenomena where all is change and development. It is also the attitude which will contribute most to that betterment of social conditions which is the purpose of every program of social reform.

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